THE CHINA WEEKLY REVIEW

密勒氏評論報

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May 17, 1941

Nazi Inroads in Japan Viewed Similar To German Actions in Italy

Farren's Resumes Gambling

Japan Intensifies Warfare

Restrictions Hit Japan

China's Currency Fights Losing Battle In Japanese-Occupied Areas

BY JOHN AHLERS

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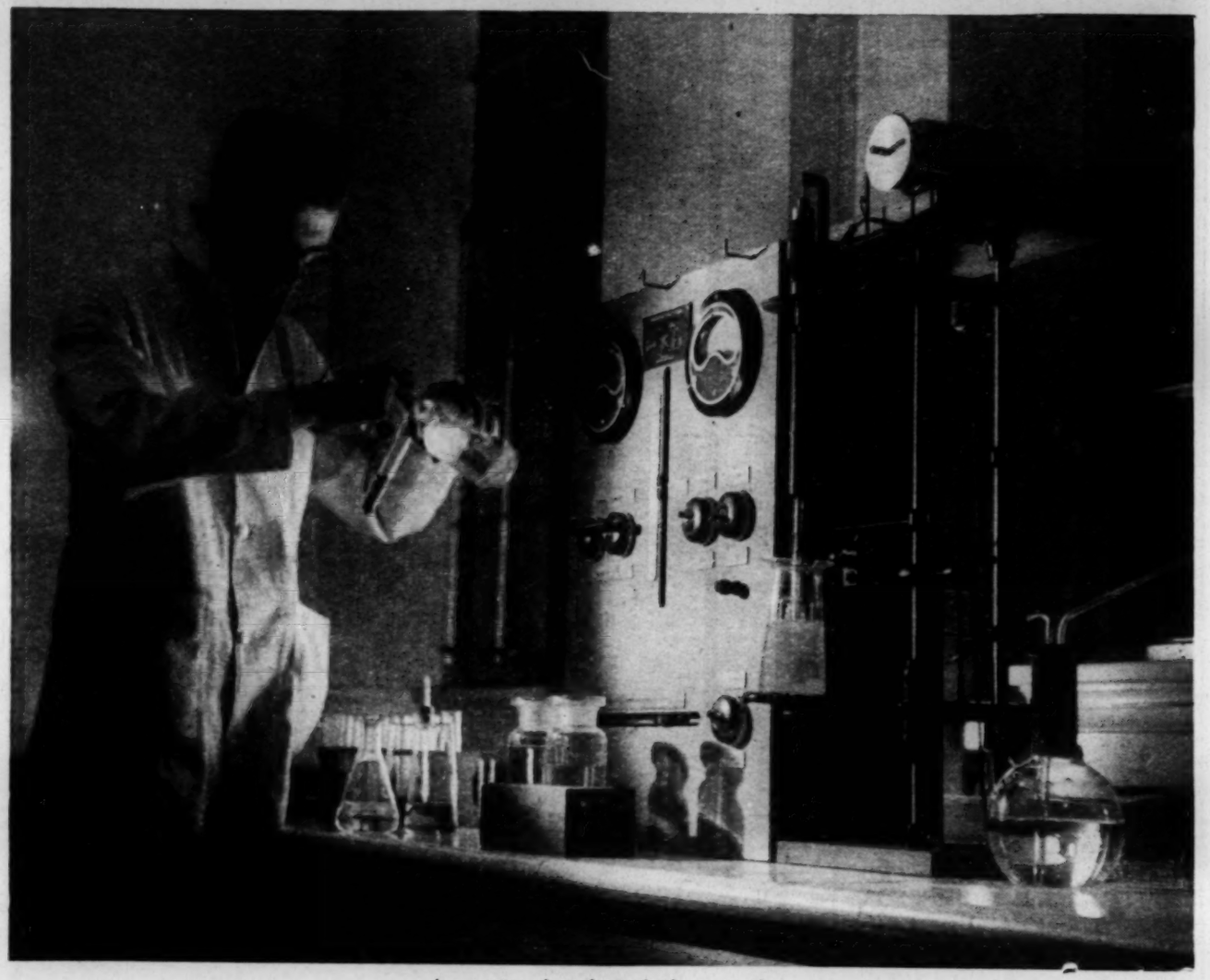

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RUSSO-U.S. COOPERATION

To the Editor:

In the article entitled "Writer Finds Chinese Mystified but Not Dismayed By Signing of Russo-Japanese Argeement" by Mr. C.Y.W. Meng which appeared in this week's **China Weekly Review** there is expressed the hope of Chinese intellectuals that American-Soviet relations "would soon be crystallized into co-operation in coping with the Far Eastern situation."

After the long spell of rebuffs which Soviet Russia has sustained in this respect and the complacency with which official America has regarded the sales of war material to Japan by American nationals are not Mr. Meng's hopes somewhat naive? Has the tender treatment accorded the New Fourth Army by the Chinese National Government been calculated to inspire Soviet confidence in Chungking's goodwill? What indications have there been that Capitalist America wishes to co-operate with Communist Russia?

Reliable indications are to the contrary if one is to believe the prominent American columnist, Mr. Walter Lippmann, and, as Mr. Lippmann is widely regarded as a very trustworthy (albeit unofficial) index of official Washington opinion, the following commentary culled from the **New Masses** may modify Mr. Meng's mystification and explain why hopes of co-operation have not materialized.

"British strategists and their friends in this country are fully aware of the dual character of Hitler's advance. Their strategy is not only to defend the empire in one of its most vulnerable regions; their strategy is to defend the Empire in such a way as to minimize the anti-British aspects of Germany's drive in order to agravate its anti-Soviet aspect. The British believe that if Hitler can be halted or delayed somewhere on the road to Suez, then, with the increasing effectiveness of support from the Empire and the United States, Hitler will have to consider a truce on their terms—or what may be the same thing, will have to turn against the USSR.

"Walter Lippmann expressed this strategy in its most cynical clarity, in a syndicated column devoted to 'Russia's Policy' on March 6: 'The plains of Russia,' says this hardboiled imperialist, 'are ideally suited to conquest by a mechanized army....' Thus far, 'Hitler has been irresistible—but only on land, except in Norway when the connecting sea was easily under control from German territory.'....Hitler has been forced to stop at the shore line of the Atlantic and the Mediterranean, and 'so long as Britain controls the seas Hitler is locked inside of continental Europe.' From which he draws the conclusion that 'if Hitler finds he cannot use his powerful but unemployed army against Britain and the overseas world, there remains Russia, which is easy to conquer—and (observe the compliment!) well worth conquering.'

"'When there are no longer any intervening countries which can be sacrificed,' Lippmann declares with a completely callous calculation, 'when the Russian hole in the blockade is closed, when resistance to Hitler is consolidated with water between the German army and the Allies, when Hitler cannot get at the Allies but can still get at Russia, then Stalin's policy will have been played out....' That is to say, Germany and the Soviet Union will destroy each other, thus relieving Mr. Lippmann and his friends of any obligation except to occupy Hitler's rear, and restore 'order'. This is perhaps the clearest, most brutal statement of American war aims I have yet seen. And in a recent visit to Washington I found many observers and writers on foreign affairs confessing with a delectable frankness that this was really the sort of war against fascism they'd like to fight: namely a war to 'persuade' the Nazis to turn against the land of socialism."

Of course, at first sight a Far Eastern Neutrality Agreement has no bearing on events in the Near Eastern or European theatres of war, however, on futher consideration it is probable that none will deny the immense influence events in this part of the world played prior to the invasion of Poland nor the possible influence they may yet bear on the future course of World War II.

"BOW BELLS"

Shanghai, May 11, 1941.

MEMORY OF FATHER

To the Editor:

After I got a letter recently from my old mother which reported that my father had passed away in Peiping I had no dry eyes for several days. I did not know when he got sick nor when he left the world. I did not serve him in his presence when he got sick nor weep for him when he died in his bed. I regret that I had not done my duty as a son to him.

I was the third son of my father. After Peiping had fallen, he called me to him and said: "The war might break out. I am old and can do nothing for the country. You are a young scholar from two national universities. You

THE CHINA WEEKLY REVIEW

Cable Address "REVIEWING SHANGHAI"

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should not stay in the occupied area but should go to the interior provinces to work for the country." So I left Peiping. He was strong and healthy, and when ever he wrote me, he told me so, or I should not have left him even for one day or one moment.

He was a business man of more than 60 years of age. But he did not love money nor snatch others' business or profits. He was sympathetic with the poor and frugal himself. He went to worship God every day. Because of the double pressure of both the Japanese and the puppet regime in Peiping he could not live comfortably nor breathe freely. So he died and died purely. May God bless him!

MU WEN-FU

Chungking, April 19, 1941

NEWS!

To the Editor:

It is indeed an interesting publication and gives us news that we do not always receive from our publications here.

F. F. C.

St. Louis, Mo. March 27, 1941.

IS CHINA DISHEARTENED?

To the Editor:

The so called "Neutrality Pact" between Japan and Russia apparently indicated that Russia has thrown her lot with the Axis despite the fact that she has repeatedly assured China of continued assistance. Contrary to the Non-aggression pact between China and Russia, however, the latter agrees with Japan, known as her traditional enemy, in the division of China's territory for her own interest. Although the pact is generally considered a hard blow to China, which would face another handicap in the execution of her resistance since Japan would be encouraged to speed up her "Blitzkrieg" against China, the immediate echo comes from the United States of a new loan extended to China aimed at stabilizing China's currency.

America is giving more assistance to China, which further strengthens her economic power and more than offsets the disappointment caused by the Neutrality Pact, and also symbolizes her determination to aid China and oppose the aggressor by deeds not words. Therefore, it is expected that Japan's atrocities ultimately will result in a complete fiasco.

A. N.

Shanghai May 6, 1941

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May 14, 1941

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Bethlehem Steel	70½
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Goodyear T. & R.	17¼
Gt. Nthrn. Rly., pfd.	26
Lockheed Aircraft	22⅜
Mont. Ward	32⅛
N. Y. Central	12¾
Texas Corp	39¼
U. S. Steel	53¾

COMMODITIES

New York Cotton, May	12.93/93
New York Rubber, July	24.48B/50A
New York Hides, June	14.97/97
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Demand Selling rate on London ... £1-0-0	=Sh.$73.85	=Sh.$73.85	=Sh.$73.14	=Sh.$73.85	=Sh.$73.85	=Sh.$73.85
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Shanghai $100. equals Rupees	18	18⅛	18⅛	18⅛	18⅛	18
Shanghai $100. equals Pesos	10⅛	10⅛	10⅛	10⅛	10⅛	10⅛
Shanghai $100. equals Hongkong $	21⅛	21⅞	21⅞	21⅞	21⅛	21⅛

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ARE NAZIS "TAKING OVER" IN JAPAN SIMILAR TO ACTION IN ITALY?

WHEN the Kwantung section of the Imperial Japanese Army moved into China's Manchurian provinces in the fall of 1931, Japanese army officers announced that it was "nobody's business except Japan's and Japan would brook no interference from any quarter."

Later when more than 50 nations of the world expressed strong disapproval of Japan's actions in Manchuria at a solemn conclave of the League of Nations, Yosuke Matsuoka, chief Japanese delegate, walked the Nipponese delegation out of the League and declared again that what Japan was doing in Asia was Japan's business exclusively. When Tokyo was reminded of the fact that Japan's official representatives had signed a treaty in Washington in 1922 in which they had agreed, along with eight other nations, to discuss Far Eastern problems cooperatively, they shrugged their shoulders and mumbled something about being "coerced into signing the Nine-Power Treaty."

Later the Japanese also repudiated the agreement they had signed with America, Britain and other maritime powers to limit naval construction. The Japanese declared again that it was "nobody's business except Japan's how large a fleet they intended to build; that they had the right to build the largest fleet in the world if they thought it was necessary for their own defense."

Now, after 10 years of almost continuous warfare with the Chinese, who resented the despoilation of their nation, the Japanese have been forced to swallow their pride and seek the assistance of outsiders—hated foreigners whom they had hoped to drive out of Asia!

The reasons which have prompted the Nipponese to invite the German Nazis to help them solve their grave and well nigh insoluble economic and financial problems are quite similar to those which forced Mussolinini to make a similar appeal for help a few weeks earlier. Italy's economy couldn't stand the strain of modern warfare and it had become necessary to either drop out of the war and make a separate peace, or invite the Germans in to save them. Mussolini, long the loudest braggart in Europe, appealed to Hitler for help and Hitler responded—to such an extent that Italy, in the opinion of competent observers has become to all extents and purposes a German dependency, or appendage of the Nazi war machine. Mussolini has ceased to make speeches about his grandiose plans for driving the hated British from the Mediterranean. Mussolinini is no longer a free agent: he now does exactly what Adolf tells him to do!

In the case of extending help to Italy the problem was immeasurably simpler than the matter of shoring up Japan's wabbly structure. Germany and Italy have contiguous boundaries and are connected by the Brenner Pass through which military divisions can march or be transported by military truck.

In the case of Germany and Japan the problem was more difficult as the two countries were separated by the Russian colossus, largest extent of undeveloped land surface in the world, stretching across two continents. In the matter of helping Mussolini, Hitler could ship war materials into Italy in a few hours. In the matter of helping Japan, it was necessary to ship across 8,000 miles of railway controlled by another power. All other routes were out, controlled by hostile powers. Therefore it became necessary, first, to make a deal with Stalin for the unrestricted use of his railway and also, possibly, his skyways, as Japan also required warplanes. This was the overpowering incentive which caused Mr. Matsuoka, the same Matsuoka who walked out of the League, to appeal to his Axis friends in Europe.

"Taking Over" Nippon

Dr. Helmuth Wohlthat, head of Germany's five-year plan, whom Hitler sent to Japan with instruction to reorganize that country on the German model. Dr. Wohlthat is now in Japan with a corps of German experts in food, finance, economics and trade. *Time Photo.*

The ink on the Japan-Soviet pact wasn't dry before Hitler sent a powerful German Mission to Japan to help his friend Yosuke Matsuoka stay in the war. In fact the members of the German Mission arrived in Hsinking, capital of Manchukuo, on April 21 before Matsuoka and his entourage returned home. The German Mission was headed by Helmuth Wohlthat and included six outstanding Nazi experts in food, finance, economics and trade. The Mission aside from the Chairman, included:

Dr. Voss, Chief of the Far Eastern Affairs Section of the Foreign Office's Trade Bureau.

Dr. Joachim von Spindler, Chief of the Far Eastern Affairs Section of the Ministry of Economics.

Mr. Buchwald, member of the Far Eastern Affairs Section of the Ministry of Economics.

Dr. Nelson, Chief of the Far Eastern Affairs Section of the Ministry of Food; and

Mr. Rosenbuch, representative of the Reichsbank.

Aside from the principals there were a number of secretarial assistants, but chief interest was centered in Dr. Wohlthat, leader of the group. He was born in

Wismar, Germany, but received most of his education and early training in the United States. He studied at New York University and Columbia, following which he worked in the Pennsylvania coal fields and married a Philadelphia schoolteacher, who happened to be a relative of Dr. Hjalmar Horace Greely Schacht. After Hitler came into power, Wohlthat returned to Germany and joined his father-in-law, Dr. Schacht in the Ministry of Economics.

According to an account in *Time* Dr. Wholthat is chief director and real power behind the Nazi five-year plan, and in addition serves as superintendent of the Netherlands Bank. The writer in *Time* credited Wohlthat with chief responsibility for saving the German coal industry from state control and possible ownership. Through Wohlthat's influence the State Coal Syndicates were dissolved and a Reich Coal Association formed along cartel lines. As a result capitalistic control was preserved in the coal industry despite interference by Party politicians. The prestige he gained caused Hitler to utilize Wohlthat's services in other fields: the negotiation of trade agreements stretching from Manchukuo to Iraq and from Iraq to Spain. He organized the Nazi five-year plan and—when he is home—is Goering's chief economic advisor.

Whether Dr. Wohlthat participated in the "taking over" of Mussolini's domain is unknown, but there is undoubted significance in the Nazi action in dispatching him to Japan—tottering on the brink of financial and economic collapse, and worse, facing the prospect of a rapid extension of the American embargo on about everying Japan requires in the way of raw products in order to escape outright bankruptcy. The Russo-Japan Neutrality Treaty was signed on April 13, but as stated, Dr. Wohlthat was already in Manchukuo on his way to Japan to reorganize Japanese finance and industry and to this extent enable Japan to stay in the ring and help her Axis partners by harrying the British and Americans in the Pacific. The Stalin-Matsuoka deal was therefore a vital adjunct of the Axis agreement, and, as both the Germans and Japanese hope, will be the means of bringing Stalin into the Axis.

Matsuoka declared at a welcoming dinner in Tokyo, following his triumphal return from Moscow, "I would like to institute a German-like control of our national life from tomorrow, but unfortunately such control is still only in the paper stage . . . . Japan has no time for paper plans . . ."

Reichsmarshal Goering declared on April 3, when the Wohlthat Mission was announced that the object was to "bring about an economic arrangement between Germany and Japan which would be in line with the necessities of the tripartite pact."

On April 30 the Information Board of the Japanese Government announced that an agreement of views had been reached bdtween the German Economic Mission and the representatives of the Japanese and Manchukuoan Governments on the procedure and principal lines of future discussions regarding adjustment of trade relations-between Japan, Manchukuo and Germany." This statement was issued following a conference at the official resident of the Vice-Minister of Foreign Affairs on April 30. On April 27, Dr. Wohlthat stated at a press conference in Tokyo that much progress had been made in increasing transit-traffic over the Trans-Siberian Railway and expressed the hope that the Russo-Japanese Neutrality Agreement "would solve the problem of transport via Siberia."

A report in the Japan *Times-Advertiser* on April 26 said that thousands of persons turned out to welcome the German Economic Mission. Since the activities of the Mission are intimately concerned with military developments, reports in the press have been closely guarded. On May 1 *Domei* carried a report that Japan was to be divided into eight economic administrative blocs in order to intensify economic control and smooth out difficul-

"You Change Mind About Britain?"

Washington Post

Axis Strategy—Now Japan's Move!

New York Times

ties. According to *Domei* the Premier, Prince Konoye, had called a meeting for May 10 of government leaders for the purpose of "carrying the New Structure into the economic field."

"Once There Were Three Cannibals. . . . ."

Chicago Daily News

It was announced on May 12 that Dr. Wohlthat would be presented to Emperor Hirohito on May 15.

GESTAPO RULES DEFEATED ITALY

John T. Whitaker, one of the best known American correspondents in Europe, writing in the *Chicago Daily News* on April 3, said that "after 10 months of war, Italy's defeat was complete, and to prevent the negotiation of a separate peace with Great Britain, the Germans had taken over control of the country. . . . Italy's regime, her armed forces, her internal police and much of her industry and agriculture are already under direct Nazi tutelage, and Benito Mussolini today is scarcely more than the gauleiter of a conquered province."

This constituted, said Mr. Whitaker, the dramatic denouement of 19 years of flamboyant fascism. More, it constituted the tragic end of United Italy, which won its independence from Germanic domination only 80 years ago under the grandfather of the present King who is sovereign now only by the grace of Adolf Hitler, which means in name only. Mr. Whitaker's articles, which aroused widespread interest in the United States are too long for reprinting here, placed full responsibility for Italy's collapse on the head of Benito Mussolini, who led his country into war when it was unprepared. He said that Fascism was chiefly responsible for the collapse of the Italian armies through destruction of their military efficiency. He said that Germans had been installed in all Ministries, including the Foreign Office, their only concession to the Italians being the black shirts they had donned. No decisions can be made without the approval of the German collaborators, who actually serve as "commissars." Food rationing is controlled entirely by the Germans and when Italian industries began to feel the pinch of British sea power, the Germans granted them raw materials at the price of taking over control of the competent ministries, and, worse, the industries themselves. Every factory which receives raw materials from Germany, or as a result of German activity, must surrender control to German technicians. In this manner the Nazis have established their control over 50% of Italian heavy industry, the subjugation of Italian industry being evidenced in the fact that the fiction of clearing accounts between the two countries has been discontinued. This means that Italian economy is no longer independent in any sense.

British May Sell B. A. T. To Americans

The Brown and Williamson Tobacco Company, important American unit of the British-American Tobacco Company, Ltd., may be sold to American interests, according to an extended article dealing with British investments which recently appeared in *The New York Times*. While the article mentioned the possible sale to Americans of the Brown and Williamson Tobacco Company, no mention was made of the possibility that the parent British-American Tobacco Company might also be sold to American interests.

However, it was reported several weeks ago that Reconstruction Finance Corporation, a Government organ, had advanced, through its subsidiary, the Import and Export Bank, a loan of US$40,000,000 to the British-American Tobacco Company and its American subsidiary, Brown and Williamson Tobacco Company. According to the announcement, the loan was intended to enable Brown and Williamson to liquidate certain obligations, supposedly concerned with the purchase of American leaf tobacco. In addition a considerable portion of the loan was earmarked for the British-American Tobacco Company.

The suggestion that the B. A. T. might be sold to American interests resulted from the British decision to sell American Viscose Corporation, the largest British-owned enterprise in America. It was the largest firm in the artificial silk trade, but despite its size was disposed of after five days negotiations with investment bankers in New York. Another valuable British enterprise mentioned was Lever Brothers, subsidiary of Unilever, Ltd. The British Government sent Sir Edward Peacock to America several months ago for the purpose of supervising the sale of British properties if or when such should become necessary. It was stated that the total value of British direct investments in America was US$900,000,000.

Unexpected Dangers

Chicago Daily News

Farren's Night Club Resumes Gambling

Farren's night club and gambling house, located on Great Western Road, scene of a double murder a few weeks ago, has reopened its upstairs gambling rooms according to reports in police circles this week. Joe Farren, proprietor of the resort, announced after the raid on his place by armed gangsters from a rival joint in the vicinity, resulting in the murder of a British woman and a German guard, that gambling would be discontinued. Jack Riley, American slot-machine operator and gambler, recently convicted and sent to the United States to serve a term for violating District of Columbia anti-gambling regulations, was previously a partner in the Farren establishment.

It also was reported that gambling soon would be started in another resort in the vicinity, known as Argentina, located on Ave. Haig, also in the "bad lands" district.

The Shanghai Municipal Government, presided over by Mayor Chen Kung-po, announced on May 10, that orders had been issued to the Police Bureau and the Shanghai Western Area Special Joint Police Headquarters, "to take rigorous measures for the complete suppression of gambling in the western district of Shanghai within a specified time." This probably was the tenth time that reports similar to this declaration have appeared in the Nanking official *Central Press* service issued by the Nanking Government, hence probably will not have any further effect than previous notices.

The once-famous Lu Kuo Fan Tien, or "Six-Nation" gambling house on Ave. Haig, adjacent to the local German Church, School and Assembly Hall, has "gone into a decline" according to reports published in the Chinese newspapers last week. It was claimed that the management was not able to pay the wages of employes for April. Reasons for the falling off of business and failure of suckers to show up was attributed to two circumstances, one being a bomb which was thrown into one of the gambling rooms last month, resulting in several persons being killed and wounded. The other reason was that a new addition to the main gambling house, located in the rear of the German Center, had been constructed in a private burial ground which the proprietors of the gambling house had occupied without permission of the relatives of the deceased. It was claimed that this violation of the traditional sphere of the ancestral spirits had caused all gamblers to lose money so persistently that they had ceased to visit the joint. When the place was first opened patronage was so great that the street in front of the resort frequently was jammed with motor cars.

PORTUGESE FREE GAMBLER

Consular Judge J. A. Ribeiro de Melo of the Portugese Consular Court dismissed gambling charges brought by the Municipal Police against Raoul Feliciano Carvalho Xavier. The prosecution was in the hands of J. F. Teixeira, while T. Rangel appeared for the defendant. A verdict of not guilty was returned by a jury of three. According to evidence by Detective Inspector R. Moir, Detective Sub-Inspector H. F. Gill, Detective Inspector J. Bradley and a woman witness, a raid had been conducted on Flat 85A of the Denis Apartment, 770 Bubbling Well, where gambling had been reported. The operators of the place apparently had been warned as all gambling paraphernalia had been removed. Documents, however, were seized. Later the detectives learned where the paraphernalia had been secreted in the French Concession, and seized it. It was reported that two trucks had been used to remove the tables from the Denis Apartment, the agents for which are the Credit Fonciere d'Extreme Orient, a French concern. The Portugese jury ruled, however, that the gambling charge had not been proved.

Yang Meu-sung, employe of the Shanghai General Hospital, was charged in First Special District Court on May 9 with theft of $950, which had been given him for deposit in the Hongkong and Shanghai Bank. Yang also was given $30 to purchase stationery. Instead of depositing the money, Yang went to a gambling den in the Hongkew district, where he lost $880. When he complained to the proprietor of the house, he was given $25 and told to clear out. Fearing that he would go to prison, Yang told a Sikh policeman he had been robbed by three men in an alleyway adjacent to the H. & S. Bank. The detectives took Yang to the scene of the alleged robbery and found that it would have been impossible to commit a hold-up there because of the presence of bank watchmen in the vicinity. When Yang was searched he was found to have $125 hidden in his shoes. Yang then broke down and confessed he had lost the money in a gambling house.

Several weeks ago the authorities of the Chinese municipality issued a statement (published in the *Central Press*) alleging that all gambling dens in the Nantao section had been closed. There must have been a mistake about this because the Chinese papers recently carried reports of the bombing of the Dah Sun Club in Nantao, resulting in several persons receiving injuries.

CASE AGAINST N.C.D.N.

Registrar C. H. Haines of the British Police Court, on May 7, found the *North-China* Daily News, senior British newspaper, guilty on two charges of publishing an advertisement of the French lottery and one of publishing a list of its winning tickets. The prosecution was brought on information of Dr. Charles Wright Rankin of the Fundamentalist Mission, under the 1934 British Betting and Lottery Act. Rankin previously had lodged a similar complaint with the American District Attorney, with regard to the publication of the same advertisement in the local American newspapers. All of the American papers, Chinese language as well as English, immediately discontinued the advertisement, hence no action resulted. The proprietors of *N.C.D.N.* decided to contest the case. The Registrar handed down a lengthy decision mainly concerned with the applicability of British laws to Britons residing in China under exterritoriality jurisdiction. In concluding, the Registrar said that he was satisfied there would be no repetition of the offence, hence a small fine was assessed, the amount being Ch$110.75, equivalent to US$6.70. Rankin said he had no object in bringing the case except to see the laws were observed here. His complaint was only directed against publication of the French relief lottery and made no mention of similar lotteries held by a French savings society and a Chinese Government lottery, both of which publish ads in the local papers. There recently have been complaints against the methods used by the French relief lottery.

Randall Gould Directs A. A. U. Publicity

Randall Gould, former Editor of the *Shanghai Evening Post and Mercury*, who departed from Shanghai several weeks ago has sent to friends in Shanghai a six-page printed letter containing comment on miscellaneous subjects, but ending with a paragraph describing the expansion of the C. V. Starr insurance enterprises into Latin America. Mr. Gould's letter was written on circular stationery of "Starr, Park and Company, Ltd., 101 Fifth Avenue, N. Y.," which apparently is Mr. Starr's new corporate set-up for expansion into the Latin American insurance field.

In addition to the circular letter, Mr. Gould sent a front page editorial to the *Evening Post* on May 13, which discussed American Far Eastern policy based on his personal interviews with Washington officialdom. In the third paragraph of his editorial was the following:

> "During the days of my recent return from China to the United States, I have made my headquarters in New York and twice visited Washington. The prestige of our newspaper and of the far flung international group of companies (America Asiatic Underwriters) to which it belongs has opened many doors . . . Everyone wants to hear the latest Far Eastern news—and it is astonishing to discover how much interest and information have grown, etc. etc."

In his circular letter, widely circulated among foreigners in Shanghai, Mr. Gould referred to his new job and the expansion of the Starr organization to the following effect:

> "In conclusion I would like to mention that my recent travels throughout the Far East and the United States have shown that the Starr organization is increasingly well known, also universally respected and well thought of. We have not courted publicity, but the dynamics of our intelligent, hard-hitting policies have made us known to people who count. Before long, I suspect, a com-

bination of the multiplication of international crises and our capacity for taking informed advantage of our opportunities may make us a lot better known to the general public than is now the case, but I think Mr. Starr's attitude of conservatism in such matters (a rather striking contrast to our action policies in business when the right moment flies by) has worked out extremely well so far. Here's a bit of family news: We are opening a new office in Cuba to supervise insurance agency business originating in the West Indies and in Central and South America. Mr. Moskowski and Mr. Fearon are in Havana at the moment, putting together necessary legal formalities. This office probably will be know as American International Underwriters, S. A.

"Upon my return from Mexico I hope to start a fairly regular routine of communications designed to keep us all acquainted with the latest both around the world at large and within our own organization. Both are on the move and it is increasingly our job to KNOW THE FACTS."

Shanghai Orphans Express Appreciation for Red Cross Wheat

Shanghai orphanages, Protestant and Catholic, express appreciation for grants of American cracked wheat and rice, contributed to war victims through the American Red Cross. Upper left is a group of orphans at the French Catholic Zi-Ka-Wei Convent. Upper right is a group of orphans at the Tonkadoo Church, Nantao. Center right is a group of little Chinese girls at the Sen-Mou-Yeu Convent, who express their gratitude by holding a banner on which is inscribed, "God Bless Our Benefactors." Lower left is another group of orphan children at Hospice St. Joseph, with their teacher. Lower right shows how the American cracked wheat and rice are cooked on a "mass-production" basis by the Shanghai Federated Charities. The steam cookers are at the right, with the large earthenware containers in the foreground. Note the sacks of Red Cross Wheat in the background.

China's National Currency Fighting Losing Battle In Japanese-Occupied Areas of Interior

BY JOHN AHLERS

In the Japanese-occupied areas of interior China, the country's national currency for the past twelve months has been fighting what more and more seems a losing battle. For a considerable length of time previously, in territory seized or penetrated by the Japanese, China's national dollar stood well up against the enemy's monetary attacks and intrigues, defying at a high premium Yen Bloc and other Nippon-sponsored pseudo-currencies. Yet in the long run, slowly but steadily, enemy domination in such territory exercized its unfavorable effects also in the monetary sphere, and Chinese national money's importance and purchasing power substantially decreased there while while those of its new rivals increased.

Today, in their spheres of power in China proper, the Japanese cannot yet afford to dispense with Chinese national currency altogeher. All over the Japanese-occupied parts of the Yangtze Valley, in Wang Ching-wei territory as well as elsewhere, genuine Chinese national dollars still account for the bulk of money circulation, and form the only means of payment in retail trade transactions. Even at Nanking and Hankow, Chinese national currency remains in most frequent use.

In the bigger North China cities and the narrow strips of territory which the Japanese hold around those cities and along the major lines of communication, Chinese national currency is "officially" prohibited. There, even subsidiary note issues by Chinese Government banks, permitted to circulate freely up to last month, recently have been called up for redemption in F.R.B. currency at a discount, and are to be suppressed within less than four months.

"Special" Monetary Districts

Yet the Japanese and their Peiping puppets allow for the continuous existence in their North China sphere of power of a number of "special" monetary districts where of F.R.B. currency monopoly but nominally prevails, and where in actual practice no attempt at ousting Chinese national currency is being made. These are areas where either Japanese domination is not firmly established, or where some economic intercourse with adjacent Free China areas is being continued. In all Free China territory behind the Japanese front lines, of course, Chinese national currency continues to form, in theory and practice, the one and only legal tender.

Japanese-occupied China, especially the Yangtze Valley, equally cannot yet dispense with Chinese national currency as a means of financial relations with countries outside the Yen Bloc. None of the Japanese-sponsored currencies in China enjoys free convertability into foreign exchange such as is the outstanding characteristic of Chinese national dollars. The Japanese military money is not all convertible into foreign exchange. Peiping F.R.B. currency is convertible only under the regime of the ill-famed import-export link system which gives to importers less than it takes away from exporters. It is exclusively through conversion into Chinese national money that holders of military yen or F.R.B. dollars may obtain access to open market foreign exchange.

The internal value of Chinese national currency, however, has dropped as compared with that of Japanese-sponsored currencies. During the past twelve months, it has been cut in less than half. A year ago, national dollars rated at a considerable premium over Bank of Japan yen, military yen, and Federal Reserve Bank notes. Today, these latter three currencies in Shanghai open market quotations are being rated more than twice as high as national dollars. This change is most remarkable. It is a fact, too, that the Japanese military yen would rate even higher than it does had not the Nipponese military recently taken measures themselves to prevent further appreciation of their monetary issue

Reasons for Collapse

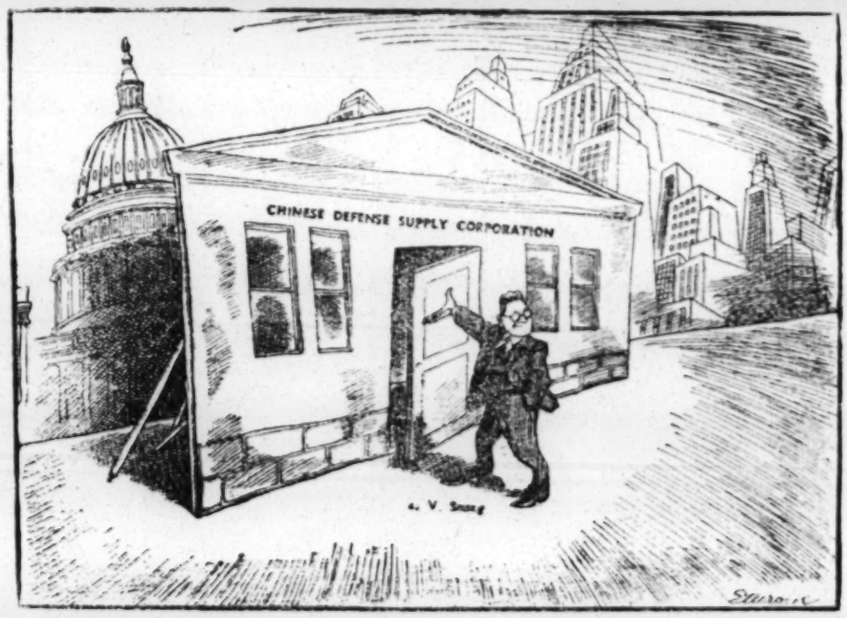
There are no less than four good reasons for this development, three of which were provided by readjustments in Japanese currency policy as as applied to Nippon-controlled areas of China. The first reason is the withdrawal from circulation in these areas of the bulk of Bank of Japan and Bank of Chosen notes which during the Sino-Japanese war's first three years flooded the North and Central China coastal provinces in the wake of the Japanese invasion. The lower quotations, for a long time, of these yen notes as compared with Chinese national dollars hurt both the monetary and commercial interests of Japan proper, and gave birth to a series of trade and exchange rackets worked chiefly by Japanese circumventing Nippon wartime economic and financial restrictions.

Since early summer last year, Japan stopped the outflow to China of additional Bank of Japan and Bank of Chosen paper money, excluded such money from use in the commercial intercourse between Japan and China, and redeemed most of its circulation over here partly in commodities, and partly in military yen and F.R.B. currency. At present, Bank of Japan yen are of little importance here, except for a few Japanese currency smugglers.

The second reason is measures taken by the Japanese in Central China, and by their puppets in the North, to confine to military yen and F.R.B. dollars, respectively, all payments in connection with wholesale commodity transactions with Japan proper, in imports as well as exports. In Central China, also, a large number of Chinese products may be obtained from Japanese-occupied territory against payment in military yen exclusively. These measures provided new outlets for the two currencies in question. For wide commercial circles, Japanese ones as well as others, they established an urgent necessity of currently acquiring and holding military yen and F.R.B. money. Thus not only in the fields of tax and Customs duty payments as well as in transactions with the Japanese authorities and their

(Continued on Page 353)

Japanese Ridicule U.S. Assistance



Cartoon by a Japanese artist in the Tokyo Foreign Office organ, "Japan Times and Advertiser" depicts the recently organized Chinese Defense Supply Corporation, of which T. V. Soong is Chairman, as a "front" for U. S. assistance to the Chungking Government.

"Look Joe, a Trespasser"

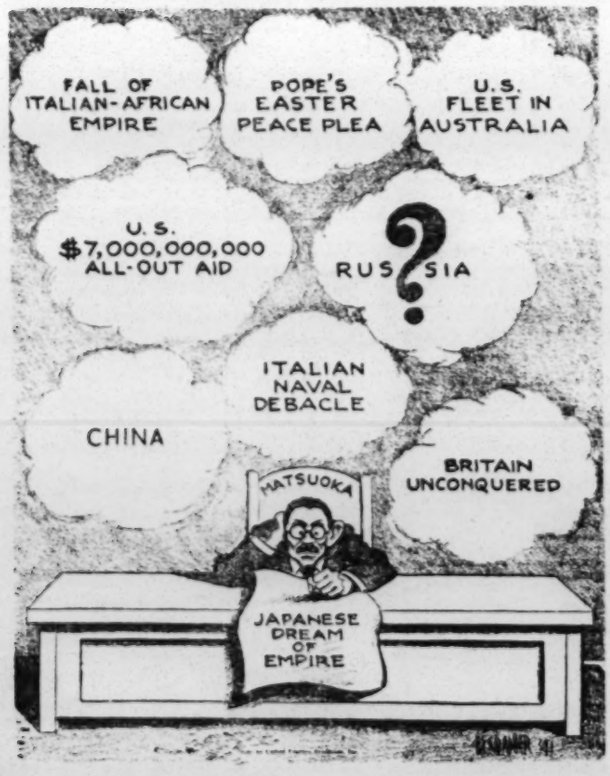
Glasgow Bulletin.

"Likee Hon. New Order?"

Washington Post.

"Out Damned Spot! Out I Say!"

(Macbeth, Act. 5, 1)



Syndicated Cartoon, Shanghai Evening Post.

"Moonstruck"

Washington Post.

Hundreds of Native Sampan-Dwellers Victims As Japanese Sink River Homes

Harmless native sampan-dwellers this week were victims of the peace that Japan brings to China when they were forced by Japanese sailors to stand shelterless in the spring rain and watch their river homes and sole earthly possessions destroyed by the invaders.

According to the report of the incident featured by the *Shanghai Evening Post and Mercury*, this latest act of official Japanese terrism occurred near Markham Road on May 9,10 and 11 and was carried out by the Japanese Special Naval Landing Party with the cooperation of the River Police. During the three days more than 250 sampan homes were sent to the creek bottom in what the official terrorists claim was a search for their Chungking opponents.

The Japanese method of indiscriminate destruction was simple but effective. The terror-stricken sampan junk dwellers were herded ashore and a search was made of their simple homes. After the search the Japanese chopped a hole in the bottom of each of the boats and while the owners watched, the craft filled water and disappeared below the surface of the creek. In some instances, owners themselves were forced to scuttle their nautical homes. Many of the larger boats are also reported to have been confiscated by the Japanese and towed away for their own use.

1,500 Chinese Homeless

Eye-witnesses report that this new Japanese Naval Landing Party atrocity has left almost 1,500 Chinese homeless and without adequate shelter from the spring rains. Some of the former junk-dwellers have raised temporary sheds near the Creek and Markham Road but they know that even these crude shelters must soon be moved elsewhere.

Since most of these victims of Japanese terrorism possess nothing except their sunken or confiscated boats, many of them will now be forced to beg on the streets for a living.

While categorically denying the sinking which witnesses and photographs evidence to be true, Naval Spokesman Commander Hazama attempted to explain away the sunken condition of native craft but added that it was a matter of course that strict measures should be enforced in combatting Chungking activities.

Meanwhile, Japanese inspired Nanking terrorists continued their month-old effort to drive the Chungking-appointed judges of the First Special District Court and the Kiangsu High Court out of Shanghai. In this connection, the *China Press* reports that Mr. Chang Chung-yu and Judge Fong Ching-wen's wife and five-year-old son were kidnapped on May 11.

Two Women Abducted

The abduction of Mrs. Fong and her son marked the second abduction of a woman within the last 12 days. A woman secretary of the First Special District Court with her husband and baby were kidnapped on May 1.

Although the kidnapping of Judges Tao, Tso and Tung was also attempted by the terrorists on May 11, their attempts were foiled as the jurists had set up their living quarters away from their homes. When the kidnappers called at Mr. Tso's home they were told the jurist had not been home for several days. Thereupon, they smashed the front windows of the house but did not attempt an entry.

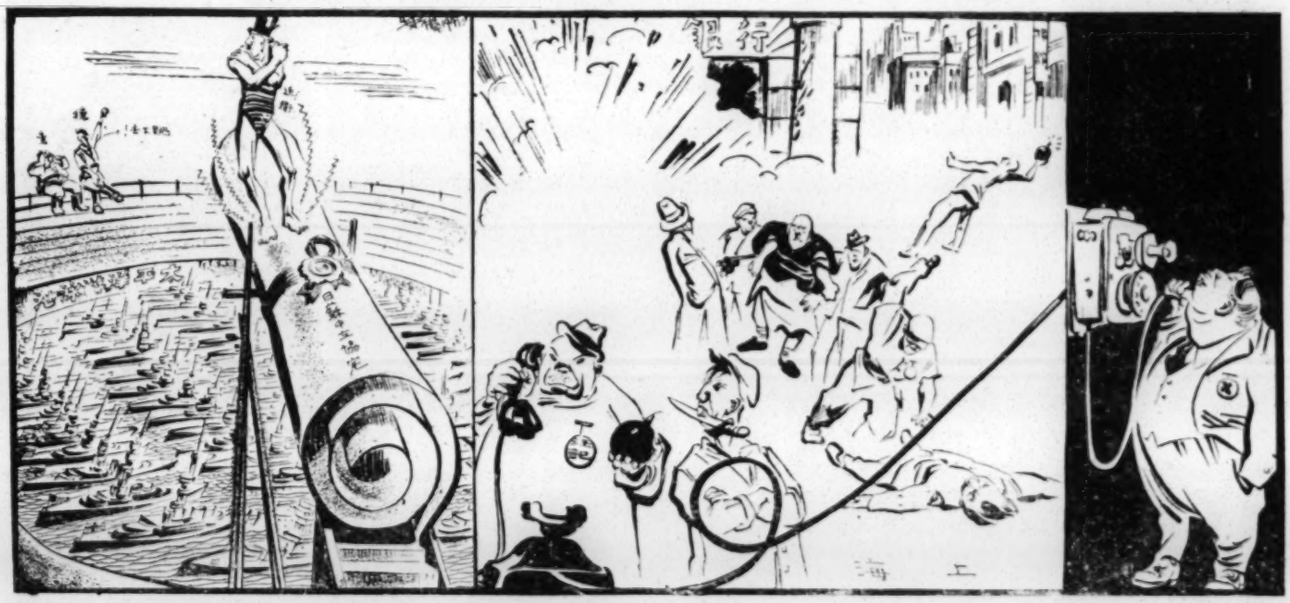
Two low-ranking officials of the First Special District Court were in the hands of kidnapers this week. They are Yu Shu-wei and Mr. Chao Cheng-ting. Political terrorists during the last month also visited the homes of Judges Moh Yun-hwa, Peng Shih and Kwei Yu. When they found the jurists absent, they threw hand grenades into the houses causing in each instance considerable property damage.

Guards Shoot Police

Further Nanking lawlessness occurred when guards employed by a high Wang Ching-wei official shot at members of the Settlement police, wounding Probationary Sergeant Wickdahl, an American. In addition to Probationary Sergeant Wickdahl, the Nanking official's wife, one Chinese constable, two bodyguards and at least six pedestrians were injured in the shooting, in which more than 60 shots were fired.

According to the report of the shooting, a car carrying the wife of Ho Sze-pao, Chief of the Special Police Branch in Wang Ching-wei's local gestapo headquarters, was stopped by Settlement police while trying to pass through the barrier on Bubbling Well Road near Avenue Haig.

Gangsters—Local and Foreign—Figure in Chinese Cartoons



Chinese artist, Teh Weh, shows Hitler ordering the Japanese Premier, Prince Konoye, to jump into the Pacific from his new spring-board, labeled the Japan-Soviet Agreement. But Konoye hesitates to jump into the Pacific which is swarming with American and British battleships. The cartoon on the right is strictly domestic in that it depicts a No. 1 gangster, who might be a member of the Nanking puppet government, or possibly a Japanese, ordering his henchman at Shanghai to stage another bombing raid on Chinese banks and newspaper offices, while a gang of kidnappers is shown in the background slugging and kidnapping Chinese civilians. The gangster at the telephone is saying, "Do it again tomorrow."

As the police tried to stop the car, the Chinese bodyguards produced Mauser pistols and opened fire on the police, according to the *Evening Post* wounding Probationary Sergeant Wickdahl and a Chinese constable. The police immediately returned the fire and a fierce gun-battle ensued between the two parties in which it is believed that between 50 to 60 shots were exchanged which resulted in two of the bodyguards being wounded.

Immediately following the shooting, a large group of local Wang Ching-wei police from 76 Jessfield Road appeared on the scene and attempted to interfere. They were arrested by the Settlement police, however and were taken into custody at Bubbling Well Police Station, along with the bodyguards who started the gun fight, the *Post* said.

Late Mayor's Son Target

Additional political shooting of the week involved Mr. Pinkuet Fu, Superintendent of the Chung Wei Bank and son of the late Mayor Fu Siao-en. The shooting occurred when an unknown gunman fired four shots at Mr. Fu as the latter emerged from the bank on Avenue Edward VII. A Chinese bodyguard, Chang Li-tsung, hearing the shots, attempted to return the assassin's fire but was mortally wounded before he could do so. The gunman made good his escape in the crowded street.

Further terrorism of the week included the kidnapping of a Chinese rubber dealer by the Japanese and the bombing of a Nanking-bound train.

Mr. Hon Nient-tso, Manager of the Ta Chung Rubber Industrial Company, Ltd., was seized by the Japanese authorities in Hongkew and is being held on the vague charge of "dealing" with Chungking property. No word has been heard from Mr. Hon since his kidnapping almost a week ago.

For the second time in six months a crack Nanking-bound express train was dynamited by a Chinese Guerilla landmine near Soochow. According to information received from Japanese authorities, the train locomotive and five cars were derailed in the explosion. Several passengers were injured and traffic was delayed on the line for five hours. The wrecked train was one of the newest on the Shanghai-Nanking run.

Japan's newly established passenger service in Central China received an additional setback with the wrecking of a Hangchow-Shanghai train on May 13. According to information received by a passenger, the new express train of the Hangchow run was speeding to Shanghai when Chinese guerilla forces set off a land mine between Chang An and Yahsah. The engine, tender, a baggage car and a second class coach were severely damaged and numerous passengers were injured as the train plowed nearly 100 feet through the rice paddies adjoining the track.

Daring Dynamiters

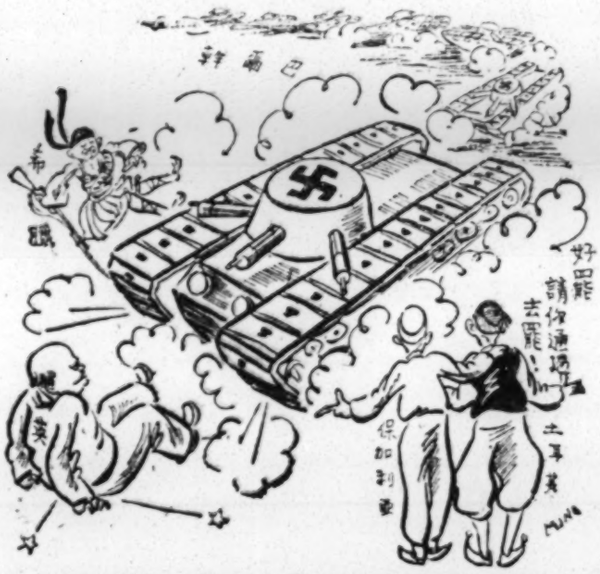
The explosion was detonated by means of a battery wired to the dynamite cache and turned on by means of a hand switch. Three daring Chinese operated the switch and were seen by the passengers to flee safely away after the explosion.

Train guards immediately mounted grave mound position after the wreck and sprayed the countryside with machine gun fire. A party of them scoured the countryside for the dynamiters but were able to round up only four innocent peasants from a direction other than which the guerillas fled. These guiltless scapegoats will probably be charged with the crime, since it is well known that the Japanese forces always inflict punishment on someone, even if they are innocent, following such guerilla activity.

Japan Pauses After Treaties To Consolidate Expansion Victories

Following last week's conclusion of Japan-French Indo-China economic treaties and the long awaited Thailand-Indo-China peace treaty, Japan pauses to consolidate her southward expansion victories and prepares for further equatorial agression.

"Perhaps Not So Fast"



Cartoon in local Japanese Tairiku Shimpo depicts Japanese hopes for Nazi success in the current Balkan crisis. The Japanese artist depicts the Axis tank, carying the Nazi emblem, overthrowing Churchill and British interests, while Turkey and Bulgaria stand aside and permit the Germans to pass through, while Greece is also pushed aside—according to the Japanese view—similar to Britain.

The Tokyo signed Thailand-Indo-China treaty was concluded on May 9 and provides for the following territorial modifications:

(1) The parts of Camodia to be ceded to Thailand include the Northern part of the Siem-reap and Kompong-tom provinces, but the districts of Kompong-tom and Angkor-vat are to remain French.

(2) Thailand is to receive two Laos districts, situated on the right bank of the Mekong. The latter will form the border line on that part of the Franco-Thai frontier.

Thailand guarantees a full equality of treatment between French and Thai nationals as far as the right of trade and precedence is concerned, while all concessions and contracts involving French nationals prior to March 11 when Japanese mediation was accepted by both parties—will be respected.

All Cambodian teritories ceded to Thailand are to be demilitarized, while no such measure is applicable to any part of Indo-China. The demilitarised zones existing on both banks of the Mekong since 1926 will be suppressed.

Thailand is to pay to Indo-China a sum of six million Piastres, as an indemnity for the buildings situated on the ceded territories.

The delimitation of the new border will be effected within one year.

Meanwhile, rumbling of further expansion could be heard in Nipponese territories. Admiral Kiyoshi Hasegawa, Governor-General of Formosa, recently declared that Formosa should be the "heart" of Japan's southward movement. Admiral Hasegawa further declared that "we must consider the introduction of voluntary military service in Taiwan at the earliest possible opportunity." He added that the "experience of 40 years has given the island the natural right to leadership in the southward movement."

Additional menace to sovereignity of equatorial nations comes from the Japanese colonist plan for Southern Asia. One hundred youths have been selected to be the first batch of colonizers of Southeastern Asia. They will be sent out by the Takunan Jiku, a new colonizing bureau.

The fifth-column significance of the group is seen from the fact that the bureau is headed by Vice-Admiral Yoshinobu Shishido, Commander of the Japanese Special Naval Landing Party when the Sino-Japanese hostilities broke out in Shanghai in 1937.

The Institute's precepts will urge students to be determined to devote their entire lives as colonists and serve as examples to both their countrymen and others "by developing as real Japanese."

Japan Confiscates Books

Two books entitled "Age of Culture" and "Criticism of Planned Economy" recently published in Tokyo were ordered suppressed and all copies confiscated by the Government, according to an article in **Nichi Nichi** May 3. The books were written by Yoshi Nari Abe, President of the First Higher School and Katsuichi Yamamoto, a member of the Peoples' Spiritual Culture Research Laboratory. The government spokesman said that the books were contrary to the "spirit of the times." Some 2,500 copies of Mr. Yamamoto's book had been sold and a considerable number of copies of Mr. Abe's book had also been sold. Mr. Yamamoto said his book had been approved by the censor and declared that the only reason for its suppression was that it expressed opposition to the national policy which had been decided upon by the authorities. He said that it was meaningless to enforce economic control so long as present market functions in Japan remain at a standstill.

China War Intensity Increases as Japanese Launch Offensives on All Major Battle Fronts

The intensity of China war last week reached white-heat as Japanese land forces launched synchronized military offensives along all the major China war fronts, including southern Shansi, central Hupeh, southeastern Anhwei and eastern Kwangtung. The Japanese air forces, meanwhile,, continued to stage furious attacks against Chungking, Kunming and a number of other localities which Japanese reports claimed to be of military significance.

Apparently attempting to cross the Yellow River and thus to pervade the western section of the Lunghai Railway. Japanese forces in southern Shangsi on May 7 started an offensive against Chinese positions in the Chungtiao Mountains and also against towns in Shansi and Honan on the north bank of the Yellow River. A large force of Japanese launched a concerted attack on Chinese positions at Yuanchu, important city on the north bank of the Yellow River in southern Shansi. Early **Kuomin** reports said first column advanced westwards from Wenchsien and Tsinyang, in northern Honan; a second column descended southwards from Yicheng, Kianghsien and Henglingkwan in southern Shansi; a third column pushed eastwards from Siahsien and along the Changtien-Maotsingtu Highway.

The battle within these regions also involved Tsiyuan, another important city in northern Honan west of Yuanchu, in the war sphere. Under heavy artillery and air bombardment, the two cities, Yuanchu and Tsiyuan, were occupied by the Japanese on May 8, another **Kuomin** report stated. The Chinese, continued the same report, have taken up new positions in the outskirts of the two cities and are vigorously opposing the further advance of the Japanese. According to Chinese field dispatches quoted by **Havas**, the Japanese allegedly used poison gas during engagements west of Tsiyuan. In western Honan, the Chinese are putting up a stiff resistance and have inflicted heavy casualties upon the Japanesee, the **Central News Agency** said.

May Use Famous Ford

According to the **United Press** report from Chungking, the Japanese may try to cross in the vicinity of Menghsien, famous ford about 20 miles northeast of Loyang, and also they may attempt crossing near Szeshui, 30 miles west of Chengchow. The same report said it appeared an attempt might be made toward Harcheng, 60 miles north Tungkwan, opposite the mouth of the Feng River.

The significance of the present battle in southern Shansi was detailed by a **Reuter** report from Chungking, which stated that thhe security of Chines positions in North China depends much on the ability of the troops to hold out in the Chungtiao mountains. If the Chinese are driven out, they would have complete control of Shansi and also the north bank of the Yellow River, which would enable them to either to push westwards towards Sian, capital of Shensi, or to cross the Yellow River southwards and cut the Lunghai Railway at Loyang and Tungkwan.

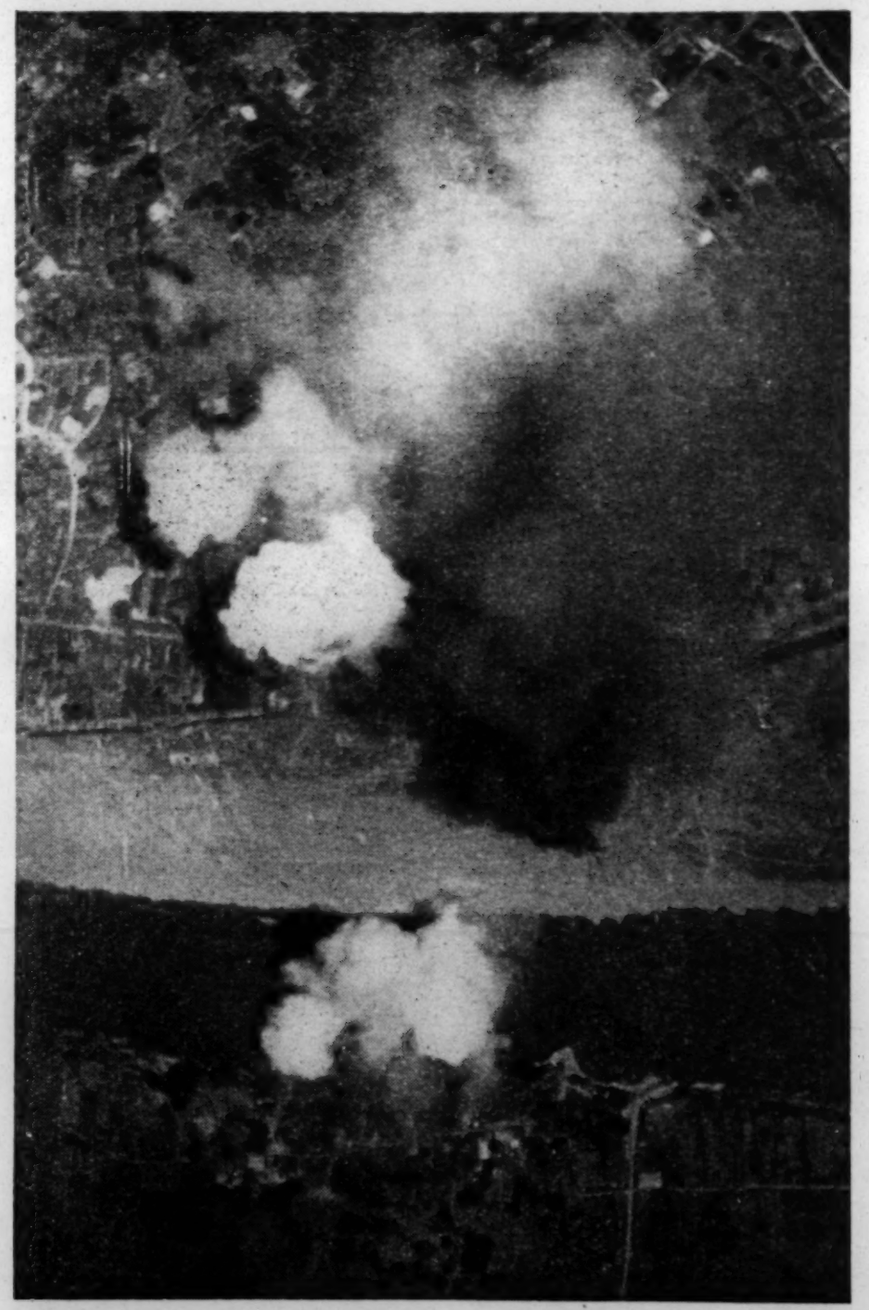
Furious fighting was renewed in central Hupeh as the Japanese forces on May 8 again swung into action in an offensive against Chinese position along the Tapieh Mountain range, reported **Domei** from Hankow. The Japanese drive was reported to have commenced from several points in the neighborhood of Kingmen, Anlu (Chungsiang), and Tangyang, all in central Hupeh. The Japanese detachments from Tangyang claimed to have culminated their campaign by capturing Yuanan. Two other Japanese detachments which started operations on May 7 north of Ichang also captured Chkenkiashan, according to **Domei**. Chinese reports concerning the Japanese operations in central Huppeh are still lacking.

War in Anhwei

War in the Eastern War Zone (Kiangsu, Chekiang, Anhwei) was still in the news last week as the Japanese launched new maneuvers in southeastern Anhwei. A **Domei** report dated May 10 said that the Japanese units from Tikang and Tungling sectors on the Yangtze River commenced their attack against the Chinese defenses along a line connecting Suancheng and Nanling. Although the Japanese reports claimed that the attacking Japanese forces have succeeded in piercing the Chinese defense line, no notable captures were reported by the Japanese. In a strong counter-attack on Japanese forces operating in the Wanchih sector, between Wuhu and Suancheng in southeastern Anhwei, Chinese troops reoccupied Hantingchen and Futingshan on May 5, **Kuomin** reported from Tunki.

A Chinese counter-attack on the eastern Chekiang coast last week resulted in the capture of Sianshan, important city in the Sianshan Bay along the Chekiang coast, said **Kuomin**. Simultaneous counter-attacks were also launched by the Chinese troops along

Japanese Bomb "Military Objectives"



The above picture shows the results of a Japanese bombing attack on "military objectives" at Lishui in southern Chekiang. For 10 days Japanese planes concentrated their explosives on these "objectives" along the Chekiang-Fukien coast. The Japanese claimed to have hit munitions and gasoline dumps. However, Chinese and neutral reports indicated their bombs fell on defenseless towns and villages.

the Yuyao-Fenghwa sector as well as the Chuki sector, according to Chinese reports. Meanwhile, another **Kuomin** report from Kinhwa said that Chinese troops are besieging Chuki. All the strategic points around the city have been reoccupied by Chinese units which are now closing in from various directions. Japanese reports carried by **Domei**, however, said that the Japanese forces also were counter-attacking Chinese positions extended in a crescent-shaped line west of Chuki. The Japanese report estimated the Chinese forces massed around the Chuki sector to be more than 10 division strong.

Action in South China

In South China, Japanese forces from Tsengchen, in the upper reaches of the East River, about May 10 also commenced manuevering against alleged troop concentrations at Waichow. On the afternoon of May 12, the Japanese forces claimed to have captured almost simultaneously Waichow and Poklo, according to the Japanese official announcement quoted by **Domei**.

According to **United Press** reports, Chungking was again subjected to merciless Japanese mass air bombardment on May 9 and 10, successively. A total of 63 Japanese planes participated in the May 9 bombing, which resulted in the killing of some 50 persons and wounding of 200. The British Ambassador's house and several American missionary schools, including the American Methodist Chiu Ching Middle School, the Episcopal Boone Library School and the Grace Community Church, were either damaged or severely demolished.

On their May 10 raid over Chungking, 54 Japanese planes dropped 300 bombs at 11 a.m. on the western suburbs and other areas in the city. The former French Embassy was demolished and the residence of the Rev. C. B. Rappe, American Methodist missionary, was damaged. Local residents were warned of the air raid well in advance and nearly all sought safety in dugouts and there were only about 30 casualties, **United Press** reported. In their latest raid over Chungking, Japanese planes were reported to have dropped leaflets in addition to bombs. The leaflets bearing handsomely embellished pictures of Josef Stalin, Russian dictator and Viacheslav Molotov, Foreign Commissar, in the Kremlin, triumphantly announced the signing of the Russo-Japanese neutrality pact.

Report of Raids

Aside from the above reported Japanese raids over Chungking, Japanese air units last week also staged numerous air bombardments over various points extending throughout the China war front. The following is a summarized chronology of **Domei** reports of Japanese air activities over China:

May 6—For the first time in several months, formations of Japanese Army aircraft, flying deep into Honan Province subjected Chengchow, at the intersection of the Peking-Hankow and Lunghai Raiyways, to a systematic raid, inflicting heavy damages.

May 7—Penetrating far into Yunnan Province, several formations of Japanese Army aircraft subjected Mengtze to a heavy attack, destroying every military establishment there, headquarters of the Japanese Forces in French Indo-China announced. Formations of Japanese Army aircraft, taking advantage of favorable weather conditions, carried out a successful raid on Shiuhing, 200 kilomters northwest of Canton, causing severe damage.

May 8—Capitalizing on excellent weather, Japanese naval air units raided important Chungking strongholds in Hunan and Kiangsi Provinces, causing considerable damage to Chinese military establishments, it was announced by the Press Bureau of the Japanese Central China Seas Fleet. Despite unfavorable weather, eight formations of Japanese Army aircraft bombed enemy defenses in the Chungtiao Mountains in southern Shansi, front line dispatches said. Reports from South China revealed that Japanese Army planes carried out attacks on Yingtak, along the Canton-Hankow Railway, Tsingyun, 80 kilometers southwest of Yingtak, and Sunfeng, 70 kilometers east of Yingtak, causing heavy damage. Operating from French Indo-China, a large formation of Japanese army aircraft ranged deep into Yunnan PProvince to stage a heavy attack on Kunming, provincial capital, causing heavy damage, the Headquarters of the Japanese Forces in Indo-China announced.

May 9—Loyang, vital point on the Lunghai Railway in northwest Honan Province, was the target of five large units of Japanese Army aircraft which caused heavy damage to military points, air base officials disclosed.

May 11—Despite unfavorable weather, formations of Japanese Army aircraft carried out destructive raids on Shangyang, important enemy point on the Burma supply route, Kunming, capital of Yunnan Province, and Mengtze, Headquarters of the Japanese Expeditionary Forces in Indo-China announced today.

May 12—Continuing attacks far into enemy territory, formations of Japanese warplanes again subjected Kunming, capital of Yunnan Province and important center for concentrations of troops and war materials, to a heavy raid today, the Headquarters of the Japanese Forces in French Indo-China announced.

China Fights On

The above cartoon by a Shanghai China student shows a figure symbolic of China which though riddled with wounds, stands in resistance against the invaders.

Willkie Urges All Aid for Chinese

At the inaugural dinner of the United China Relief Campaign on March 26 in New York Mr. Wendell L. Willkie, Republican Presidential Candidate, urged all-out aid to China, which is fighting for freedom. The following is an excerpt from his speech.

"Under a truly great leader, General Chiang Kai-shek, China embarked about a decade ago upon a program of modernization—a program of industrial, political and educational development, to raise the standard of living of her people and to integrate herself as a nation. . . .

"The Chinese objectives are, in fact, the objectives of free men. They want to own and control their own soil and their own political institutions. They want to govern themselves. They want to raise their standard of living. They are eager to trade with the rest of the world. They seek peace. They seek enlightenment and education. . . .

"We must help the Chinese preserve their freedom. This must be our policy on the Pacific, as it is now on the Atlantic. . . .

"Let us say to the people of China, for example: 'We Americans are interested in establishing on this earth the widest possible area of freedom. We are not interested in this out of sentiment, but to protect ourselves and to expand our way of living. We want China within that area of freedom. We want her to come into it and pursue certain objectives which, we believe, will guarantee freedom to her and to us.'

"We should undertake to support China's open market with all the great resources that our people possess—our gold, our capital, our brains, our industrial techniques, our raw materials. If any nation threatens her open market, or seeks to control it, we should be against that nation. . . .

"In the last few years the institutions of freedom have been battered by aggression almost everywhere. Democracy has been set back. The road ahead of us, therefore, is long and painful. But the task of America is to make democracy strong. And we can do this in three ways:

"We can provide the democratic peoples with weapons on a vast scale.

"We can give them relief and assistance. That is the purpose of this campaign—to give, and to give generously, that the people of China may know how earnest we are.

"And finally, we can strengthen democracy by looking boldly toward the future. We can give the peoples of the world a new hope—hope from America—hope from us who have demonstrated our ability to be free, and our determination to be free. The faith we have in one another, the faith that keeps us free, must spread. It must leap the oceans. It must awaken the souls of men, in ever-widening area, to life, liberty and the pursuit of happiness."

Co-operative Industries Flourishing at Lanchow; Vital Source of Raw Materials for Northwest

BY GEORGE AYLWIN HOGG

(George Hogg, the writer, is an Englishman attached to the office of the Northwest Headquarters of the Chinese Industrial Cooperatives as English Secretary and inspector. He graduated from Oxford University in 1937. He then left England for the United States, hiked across the Continent, took a ship to Shanghai and landed just at the time of the fall of Nanking. He was correspondent for a time in Hankow for the United Press and then proceeded to Peiping. From there he struck inland and has made his headquarters at Paochi ever since. He speaks Chinese fluently.)

Lanchow, Kansu, is the Chinese Industrial Co-operatives' most northwesterly depot. Besides developing its own co-op enterprise in woolen textiles, leather and fur, it is at the same time a vital source of raw material supply for the other depots in the Northwest Region, and has opened up a market for their finished articles in its own area of growing national importance. Raw wool comes to Lanchow on camels from Inner Mongolia, or on sheepskin raft down the Yellow River from Chinghai (Kokonor).

This winter, 670,000 pounds of it is being made up into army blankets on the spot, while another 800,000 pounds has been freighted down the International Highway to co-op depots in South Kansu, Paoki and Sian (Shensi). Co-op goods from outside depots to the extent of $120,000 from Paoki, $30,000 from S. Kansu, and $2,000 from Sian were sold during 1940 in the Lanchow co-operatives' joint Marketing and Supply Department store, besides a quarter of a million dollars' worth of goods from local Lanchow co-ops.

$62,000 in Profits

The monthly output of Lanchow's 25 co-ops is at present worth over $400,000, though outstanding loan capital is only half that amount. Repayments to date amount to $83,235, paid-up share capital from 200 co-op members is $8,000. Net profits for 1940 from the co-ops amounted to more than $62,000, which, added to the Supply & Marketing Department's net profit of $60,000 odd, and of an Experimental Factory's $22,000 makes a total net profit $144,000 for the depot. Military authorities have shown their appreciation of C.I.C.'s productive power by placing orders for $144,000 worth of uniforms and coats, for 300,000 fur-lined waistcoats, as well as for 50,000 blankets. Civil authorities also have been using the organization and name of the C.I.C. to distribute cheap salt, sugar and other necessities to the general public (to date more than 300,000 pounds of cheap salt has been distributed through the agency of the Supply & Marketing Department).

These figures are sufficient evidence of economic progress. A point of great interest to co-operators is, moreover, that business efficiency and closer conformity to true co-operative practice have proved to be closely related. Time after time, units with comparatively co-operative spirit, few members, many hired hands, lack of educational activity, were found also to be losing money, while the same co-operatives, as soon as they could be reformed along better co-op lines, began to make good profits and to pay off debts incurred during their pre-reformation period. Thus a machine shop lost money steadily in spring and summer; in October, three somewhat half-hearted members, who had joined the co-op without realizing what it was all about, left, and six former hired workmen joined it; by the year's end there was a profit of $460 after having paid off the previous months' losses. A printing co-op took on four of its former apprentices and two outsiders as members in autumn 1940, and by the end of the year had paid off a loss of $1,700 and made a further profit of $6,000 for the year.

Federation Grows

The co-operatives' own joint organ —The Federation—provides another example of healthy growth. Function's now undertaken by the Federation's elected representatives and paid executives are (1) A Hostel and Restaurant. Rates are cheap, rooms clean; co-op members coming in for business or social purposes from the country can stay comfortably in their own hostel and avoid contact with the looseness often prevalent in small inns; expense money provided by the co-ops for their travellers thus stays within the movement. Co-op celebrations, weddings, etc., take place in the restaurant, while contacts with city business men and contractors may be made there. (2) A bi-weekly newspaper on co-op and national affairs, distributed free of charge to all co-ops. (3) Four small clubs in outlying co-op districts, where members and others can meet for social and educational activities. (4) Savings agency, encouraging co-op members to invest in Government savings certificates. (5) Planning of raw materials for future production, and putting plans before the Supply & Marketing Department so that the latter may lay in appropriate stocks. (6) Health work in co-operation with the local Public Health Authorities, vaccination, innoculation, inspection of kitchens, latrines etc. (7) Education, in co-operation with the local C.I.C. administrators: books have been prepared specifically with regard to local co-op questions, besides using the Ministry of Education's general purpose books on literacy and national affairs. (8) Lump investment of individual co-op reserve funds. Funds with which to carry on this work come chiefly from the 10 per cent of all profits on co-op enterprise which goes constitutionally to a "Common Good Fund," though an initial loan was made of $3,500. Common Good Fund contributions from 1940 profits are at least $12,000. Federation Chairman Wei Yu-lin is a semi-illiterate Shensi workman of great natural friendliness and dignity. He was first of all elected Chairman of a sub-district, whose meetings he conducted with great success. Inability to read the minutes is a sore point, but Wei Yu-lin does the next best thing by getting someone to write out a list of agenda for him in simple language, which he reads off from a scroll with no little impressiveness.

On a visit to the Lanchow co-operatives' joint Supply & Marketing Department, housed in its own solid new brick building in the city, I made a note of the following co-op goods on counter and shelves:

Cotton cloth, bedspreads, scarves, towels, stockings, caps, shoes & boots, shopping bags medicated cotton and gauze, soap, belts, holsters, etc., from Paoki, Shensi; bedspreads, cotton cloth from Sian, Shensi; soap, printing ink, woolen yarn for knitting, from South Kansu and cotton and woolen cloth, woolen scarves, colored blankets, carpets, sweaters, caps, woolen yarn, fur coats, padded cotton coats, ammunition-belts etc., shoes & boots, toys, notepaper, brass fittings, ink, sticking-paste, blackboard chalk, soap, tinned fruit, leather suitcases from Lanchow.

$1,000 Daily Sales

Sales average by the end of the year was $1,000 daily, record day being $2,300. Business between co-ops and the Department is mostly on an outright sales basis, the co-ops receiving cash on raw materials in exchange for their goods on the spot. In case the co-ops wish, commission sales are arranged on which the Department takes 5 per cent and the co-ops themselves fix selling-price. Total net profits for 1940 amounted to more than $60,000, which is divided on general lines laid down by headquarters in Paoki. That is:—20 per cent to reserves, 10 per cent to expansion, 20 per cent emergency fund (risk insurance), 10 per cent to dividends to co-ops, in proportion to their total annual business with the Department, 15 per cent to C.I.C. for promotional and other work, 5 per cent to a benefit fund to buy medicines, books, etc. for the Department workers themselves, 10 per cent to the management as bonus, and 10 per cent to the depot's Common Good Fund. The suggestion is made from Lanchow that the 10 per cent business-dividend should be made applicable not only as between local Departments and their co-ops, but between the various Supply & Marketing Departments in the whole Region. On this basis, Lanchow would this year receive a good proportion of the Paoki Supply & Marketing Department's business-dividend, and eventually inter-depot co-operative trade would be greatly stimulated.

Eleven Lanchow co-operatives (74 looms) and one Experimental Factory

Co-operatives Bring New Life to China

Scenes in the lives of Co-operators in China's northwest: Upper left, co-op members come in from outlying district, meet in the C.I.C. office for distribution of new stock of raw materials and resort afterwards to their own co-op restaurant for lunch. In the background is a C.I.C. truck which brought cotton thread up from Shensi, and which will take back raw wool for Shensi co-ops. Upper right, a leather tanning co-op in Kansu. Lower left, co-op wedding of blanket co-op chairman (Shantung) with wool spinner girl (Kansu)—the eighteenth C.I.C. wedding in Lanchow. Lower right, co-op members come in from outlying district, meet in the C.I.C. office for distribution of new stock of raw material—cotton thread for warp of army blankets.

(14 looms) completed more than 60,000 army blankets by the end of January. To supply these units with raw material a de-centralized army of more than 10.000 spinners is working over a wide country area. The C.I.C. organization in Lanchow has so far proved capable not only of gearing the co-operative weaving capacity to meet exceptional demands from the army blanket making administration, but is also finding the time and energy to organize the decentralized spinners into their own domestic co-operatives. Thus in one district 50 country peasant women have just joined one co-op, while in another, a giant co-op covering 35 miles and 800 women is in process of formation. This is not so simple as it sounds, for the countrywomen are naturally cautious, and new ideas have to be perseveringly canvassed among them. In one case the C.I.C. had to guarantee to stand any losses, while the new co-op took any profits. Local circumstances are favorable to such development since Lanchow is naturally a woolen textile district, and production may be switched onto woolen cloths as soon as the blankets are completed for this season.

Moslem Cooperatives

No movement can be said to have made a deep place for itself in Lanchow unless it also has won the support of the local Mohammedans. In 1939 a Mohammedan *ahung* came to the C.I.C. office with the suggestion that a co-operative should be formed of Moslems now working as hired hands in various private factories. This was the beginning of the Moslem fur skin co-operative which has many times since won the Lanchow "Co-op of the Month" prize. At present this co-op has 15 members, has repayed $3,500 on its original $20,000 loan, and made a $7,000 net profit for 1940. Co-op members who were once hired hands are now earning an equal allowance of $60 per month plus 40 per cent of annual net profits, in their own co-operative. If they are working for anybody apart from themselves, it is for their country—whose Army has recently placed an order for 30,000 fur-lined coats. The co-op has just finished a fine new building of 30 rooms. As the co-op's Chairman, *ahung* Ma Ying-p'iao

(Continued on Page 355)

Japanese Masses Find Economic Conditions More Difficult with New Wartime Restrictions

New wartime restrictions recently forced on the Japanese masses brought home to them the realization that the Land of the Rising Sun is taking an ever harder economic beating from their underestimated opponent, China.

For the first time in the nation's history, Japan has been obliged to issue the babiest of baby bonds, each of Yen 1 denomination, in a desperate effort to keep the government war coffers full enough to meet the needs of an extravagant army. These new baby bonds—the value of one American 25 cent piece—are scheduled to go on sale in the near future, probably in July, at tobacco stores and restaurants throughout Japan. Infant bonds will be issued in 50 lots of Yen 100,000 each redeemable within two years.

"Aryan" Fellowship in Berlin

It was reported that Berlin closed all the public schools and factories so that the throngs of students and workers could parade in honor of Yosuke Matsuoka, Tokyo Foreign Minister. Picture shows Matsuoka being welcomed by Germany's Foreign Minister, Joachim von Ribbentrop—Chicago Daily News Photo.

Evidence of Critical Condition

The critical condition of Japanese finances is further evidenced by the initiation of a series of periodic conferences between the government and financial circles in order to bring closer cooperation between the government and private enterprise. The first of these meetings occurred May 10, when financial leaders suggested an improvement in the standard of government officials, reform of administrative machinery in order to increase efficiency, and a greater use of experienced outsiders.

The recently created Price Control Commission was reorganized this week as economic conditions in Japan continued to be unfavorable. It is understood that Premier Prince Fumimaro Konoye was selected as the exofficio chairman of the new Commission, while Masatsune Ogura, Minister-without-Portfolio, and Lieutenant-General Teiichi Suzuke, president of the Planning Board, will serve as vice-chairman. All 20 members of the existing commission resigned but six of these have been chosen for membership in the new organization.

Announcement comes from Tokyo that residents are now resigned to the official price fixing of retail merchandise in Japan. Approximately 40,000 different lines of goods are now subjected to officially fixed prices by the Ministry of Commerce and Industry. Pegged prices have also been prescribed for more than 400,000 varieties of goods in rural districts.

Lengthen Working Hours

The large metropolitan labor class will soon be further affected by the China War following a new suggestion that working hours be lengthened. The proposal, made jointly by the Commerce and Welfare Ministries, was presented to the Cabinet and if adopted, as expected within the next month, it will lengthen the present maximum working day of 12 hours.

Food distribution in Japan is soon to be further controlled, according to a *Havas* report. In order to place the distribution of food under greater control of the State, the Japanese Government has decided to purchase all this year's crops of wheat, barley, naked-barley, and oats.

The Government has already been controlling the distribution of substitutes for rice, such as sweet potatoes and buckwheat flour, for some time under the provisions of the Provisional Rice Management Law. However, since the distribution of other grains in the six large cities of Japan have been considerably disturbed during the past year, the Government has decided to enforce the following revisions to the above-mentioned law:

Government Purchases

1. Beginning this June, all wheat, barley, naked-barley and oats which farmers in Japan can afford to sell will be bought up by the Government. Prior to the purchase, the grains will be collected by the cooperative societies through the offices of the agricultural associations.

2. The right of apportioning the quotas of the Grains will be returned from the prefectural authorities to the Ministry of Agriculture and Forestry.

3. The distribution of the grains to large consumers will be conducted by the Ministry of Agriculture and Forestry according to their past records, while the distribution to small consumers will be entrusted to associations to be designated by this Ministry.

Encourage Larger Families

Despite Japan's present food shortage and government-claimed overcrowded conditions in the nation, the Welfare Ministry's Social Insurance Bureau is endeavoring to increase Japan's population by encouraging larger families. For the stimulation of "bigger and better" families, the Bureau is planning to grant a Yen20 bonus for each birth in addition to Yen30 to cover each delivery cost.

This desire for additional children in a land already over-populated can have but one meaning. The nation is planning to use them for gun fodder in a further expansionist government.

In this connection also is the recent announcement from Tokyo that all school children are being given military training. The Education Ministry has decided that higher school and college students must be trained in hand-grenade throwing, gas decontamination, map reading and land surveying, in addition to the military rudiments now being taught. Students must also spend more time drilling and hearing lectures on military tactics and science.

Pearl Buck Rewarded For China Services

Pearl S. Buck was awarded the Order of Jade, white cravat, red and blue borders, in recognition of her services to the Chinese people on March 26. The presentation was made to her in her present name, Mrs. Richard J. Walsh, by Dr. Hu Shih, Chinese Ambassador at a dinner given in New York by the United China Relief. Last October the Chinese Government awarded medals to eleven directors of the American Bureau for Medical Relief in China. Those who received medals were Dr. James B. Murphy, director of the division of research of Rockefeller Institute; Mrs. Alice Fitzgerald, formerly director of the Bureau of Nursing for the League of Nations; Dr. Farn B. Chu, of Morrisiana City Hospital and Lenox Hill Hospital; Dr. Chih Meng, director of the China Institute of America; John J. Martin, vice-president of the Commercial National Bank and Trust Company; Dr. George Morris Piersol, medical director of the Bell Telephone Company of Pennsylvania; Dr. Homer W. Smith, professor of physiology at New York University; Walter J. Ffizenmayer, comptroller and secretary of the Commercial National Bank and Trust Company; Mr. Y. H. Wei, of the Yung Tai Company; Dr. George B. Wallace, professor of pharmacology, New York University, and Dr. R. R. Hannon, of the Department of Medical Licensure, Albany.

(Continued from Page 344)

puppet regimes, but in addition in many lines of regular trade, military yen and F.R.B. dollars began to enjoy advantages from which Chinese national dollars were excluded. This could not help to boost the former two at the expense of the latter.

Fewer Notes Issued

The third reason was a rationalization of the paper money issue on the part of both the Japanese military in Central China and the Federal Reserve Bank at Peiping. Both originally issued at random their paper scrip, with a view merely to acquiring either commodity supplies or Chinese national dollars for conversion into foreign exchange, and without any serious thought of redemption or open market ratings. For a long time, military yen notes were not even numbered. Also in this respect, there has been a considerable change in the past twelve months. Japanese induced Peiping to restrict the issue of additional F.R.B. paper to amounts which the rising demand was likely to digest, and the Japanese military did the same in Central and South China in respect of military yen. The result is that instead of a huge over-supply in these notes their circulation has become better adjusted to current demand. In the recent past, more than once even scarcity in puppet notes has become felt occasionally, especially in military yen in Central China.

The fourth reason is that in the occupied areas and in Shanghai the attitude of large sections of Chinese toward military yen and F.R.B. currency has obviously changed. From the moment the above Japanese measures boosted these currencies to par with Chinese national currency, in open market quotations, they began to arouse widespread speculative interest. Chinese speculation from that time helped to boost military yen and F.R.B. dollars above par, and to rate them against national dollars at an increasing premium. In North China, depositors holding national currency accounts with Chinese banks began to insist on outpayment in F.R.B. notes, and the puppet regime forced the banks to comply. Since last year's October crisis, an increasing number of Chinese have been scared by fears of a general Pacific war which might cut off Shanghai and Japanese-occupied areas from all support to Chinese national dollars, and which might leave military yen and F.R.B. dollars the only currencies with any purchasing power. Many well-to-do Chinese began to hoard large amounts of military yen and F.R.B. notes, and this hoarding early this spring boosted the military yen's premium over national currency so high as to compel the Japanese to intervene and to depress somewhat the value of the military yen themselves.

Goal to Be Abandoned

The Japanese-sponsored currencies' value, on the other hand, still remains far from the goal originally set, and indications are that goal is about to be abandoned. F.R.B. dollars, it must not be forgotten, continue to be rated officially at the genuine Japanese yen's official exchange rate, i.e. at between 24 and 25 American dollar cents per F.R.B.$1. The North China post offices last month made an attempt at establishing these official rates in open market transactions by decreeing a U.S.$0.23-7/16 rate for international money orders. The Federal Reserve Bank obviously hoped that Shanghai and other areas of China would avail themselves of this opportunity to buy F.R.B. money slightly below its official rate, but the very contrary happened. The North China banks, speculators and general public rushed to the post offices in order to convert at this rate F.R.B. currency into foreign exchange, and a few days later the experiment was hastily discontinued. The open market exchange valuation of F.R.B. currency is about 11 U.S. cents only, which in recent months has been the unofficial Peiping exchange rate applied to import-export "link" transactions, and which almost exactly corresponds to the Shanghai open market quotation for F.R.B. dollars in terms of Chinese national currency. This rate amounts to less than half the official Peiping exchange rate for F.R.B. money, and to this level that official rate probably will be lowered soon.

Wang Ching-wei dollars recently secured a great deal of publicity from the Shanghai attempts at shooting it out between the Chungking and the Nanking Government banks. The circulation of Wang Ching-wei's Central Reserve Bank dollars, it is true, for the past two months experienced an uninterrupted increase. The total of this circulation, however, attains but slightly more than W$35,000,000 and compares extremely porrly with $2,000,000,000 national currency and Yen 500,000,000 Japanese military money circulating in Central China. Wang Ching-wei money as yet is of no monetary consequence. It is very far from replacing either Chinese national currency or military yen; the former opposes it, and even the Japanese military make no effort at withdrawing their own money in favor of Wang Ching-wei's issue.

Exempt Chinese

The Ministry of Foreign Affairs at Chungking announced May 6 that an arrangement had been made whereby Chinese citizens would be exempt from all passport requirements or visas when passing through Hongkong. Previously Chinese were required to obtain passport visas and also pay HK$30 for a transit visa and HK$60 for a residential visa.

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Hess Flight to England Headlines War News; Russo-German Warfare Predicted

Peoples of all nations were astounded this week by the political implications involved in the flight to England of Herr Rudolf Hess, Germany's No 3 Nazi.

Herr Rudolf Hess, early member of the Nazi Party and until recently close friend of Adolf Hitler, suddenly boarded a Messerschmitt war plane on May 12 and fled to Scotland, where he parachuted to a safe landing. Cause for this flight is not yet clearly established. One report maintains that Herr Hess became alarmed at the prospects of Russo-German cooperation and flew on a mission to save humanity. Another report speculates that the former German leader had come into disfavor with Hitler and fled from a "purge" execution. This would indicate an important split within the Nazi Party. Still a third report, the official German announcement on the subject, says that Herr Hess made his fantastic flight to England because "he appears to have lived under a hallucination that he was still able to bring abount an understanding between Germany and England with his old English acquaintances."

The possibility that Hess brought peace proposals to London has so far been discredited in both England and Germany.

Hitler Takes Jobs

Meanwhile, Chancellor Adolf Hitler has personally taken over the former leader's party office, known as "Office Deputy of the Fuehrer," and has changed the title to "Party Chancellory."

Additional sensational item of the week was the forecast by Harold Peters, *United Press* correspondent, that Russia and Germany would be at war by June. Basis for this prophesy was the increased activity along the new border between the two countries.

Reliable persons in Rumania pointed out that the Soviets have completely stripped Beassrabia and dug into the Dniester, supposedly in expectations of a quick German thrust. Russians are said to have removed telephone equipment from the capital of Kishineff and one eyewitness said that the Russians had removed everything made of metal in Bessarabia—doorknobs, zinc roofing, telephone wires and even plumbing.

Submarines in Black Sea

A high source maintained that six German submarines already have descended the Danube and have assembled in the Black Sea. The Russians on the other hand have transported 24 submarines overland from the North Sea during the winter.

Other observers, however, believe that this increased Russian activity foreshadows a division of the Balkans and the Near East similiar to the division of the Baltic regions after the fall of Poland. In support of this supposition, they point out that Russia has just announced its decision to establish diplomatic relations with the new Iraqi Government. This indicates that Moscow does not consider the Iraqi Cabinet a dissident one.

Soviet Russia has also decided to dissolve the Belgian, Norwegian and Yugoslav Legations in Moscow.

British Gaining

War in the sandy wastes of Iraq continued unabated during the week but reports reveal that the Arabic fighters are steadily giving way in face of better equipped British forces. It has been officially announced that Imperial troops have succeeded in occupying Fort Rutba in Northwestern Iraq, approximately 75 miles east of the Trans-jordan frontier, virtually ending the campaign for control of Northwestern Iraq.

Peace terms are said to been advanced by the weakening new Iraq Government. They have not been accepted by the British Government, though, and probably will be ignored.

Boosting Home Industry

Bairnsfather cartoon in N. Y. Times

In Greece—"What d'yer mean, boasting Greek ruins. Why don't yet stick up for yer own... We have just as good as this in London."

War in Africa continued to be a stalemate and of second page importance. Axis troops carried out patrol operations in the Sollum area and more Italian soldiers were captured by South Agrican forces in Abyssinia. In Libya, no change is reported in the situation at Tobruk.

War Rumblings in U.S.

From America came rumblings that forecast active war participation by the United States. The "Committee to Defend America by Aiding the Allies" demanded the introduction of a state of emergency, thereby vesting the President with wartime powers. The Committee calls for the use of the United States air and naval forces for the defense of supply routes leading to the British Isles and also insists on the use of American armed forces for the conveying of Britain-bound vessels.

In France interest centered around the Darlan report to the Vichy Council

Vice-Premier Darlan conferred with Adolf Hitler at Berchtsegaden during the week and is reporting to the Council concerning his conversation. Indications are that a new agreement is to be reached between France and Germany that will displace last year's armistice agreement. Some reports said that miners, technicians and others would be liberated by the Nazis and that German Army occupation costs would be reduced.

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(Continued from Page 351)

writes in his "Open Letter to Moslems Abroad,"—"The co-operative has helped us considerably to raise our living standards."

Indeed, one feature of the past year's co-operative development in this part of Kansu has been the growing faith of the local people in co-operatives. New members are coming in in large numbers to the wool-spinning, weaving, printing and leather-tanning co-ops. Members of women's co-ops, asked whether their husbands and parents objected to their working for themselves in co-ops, reported that although this had been so at first, recently the reverse was becoming the case. In one outlying district, according to the report of local British missionaries, the whole population had been saved from near-starvation owing to poor crops by C.I.C.'s wool spinning work.

On my second day in Lanchow I was taken to a wedding. The ceremonial carpet was a 30-yard length of woolen blanket into whose making the combined work of bride, bridegroom and co-op members had gone. The groom had once been a refugee from the war areas 2,000 miles away in Shantung, while the bride was a local girl. This wedding was no less than the sixteenth Lanchow co-op wedding within a year, and since most of the girls have been natives and most of the men outsiders, the marriages are no small testimonial of the local parent body's faith in the future of industrial co-operatives. It would seem that C.I.C. is making good its original aim of giving new lives as well as new livelihoods to the people. It is also helping to stabilize inter-group relations after one of the greatest population-shifts in Chinese history.

Johnson Honored

Nelson T. Johnson, American Ambassador to Chungking who has been transferred to the position of American Minister to Australia gave a farewell reception at the American Embassy in Chungking May 8. Those attending included Sun Fo, President of the Legislative yuan; Dr. H. H. Kung, Vice-President of the Executive Yuan; Dr. Wang Chung-hui, minister of Foreign Affairs; General Ho Ying-chin, Minister of War; Chen Li-fu, Minister of Education; Dr. Weng Wen-hao (Oong Wen-hao), Minister of Economics; Chang Kia-ngau, Minister of Communications; Dr. Wang Shih-chieh, Director of the Central Party Publicity Department; Dr. Chu Chia-hua, Director of the Central Party Organization Department; General Wu Te-chen, Secretary-General of the Standing Committee of the C.E.C.; and Dr. Wu Kuo-chhen, Mayor of Chungking.

Reception for Gauss

The American Association and Chamber of Commerce announced a reception for all members of the American community in Shanghai at the Columbia Counry Club on Wednesday of this week in honor of C. E. Gauss, American Ambassador to China, who was scheduled to pass through Shanghai on the President Garfield, enroute to his post at Chungking. Another passenger aboard the Garfield was Col. L. M. Howard new Commander of the U. S. Fourth Marines, who is scheduled to succeed Col. DeWitt Peck, who is planning to depart for the United States on the President Garfield, enroute to his post at Chungking. Officers of the U. S. Marine Corps have announced a reception at the American Club on the evening of May 20 in honor of Col. L. M. Howard and Col. DeWitt Peck. Other functions in honor of Col. Peck included a reception and cocktail party at the Cathay Hotel on Tuesday, May 13, by Major Williams, U. S. Asst. Naval Attache, and a luncheon in honor of Cols. Peck and Howard at the American Club on Saturday, May 17 by the Commander of the Yangtsze Patrol. Members of the American Association and Chamber have also announced a farewell "stag" dinner in honor of Col. Peck at the American Club, Monday evening, May 19, 8 p.m. Reservations are limited to 180.

Japanese Swindler

Yomezo Okomoto, alias Nobufumi Okomoto, 62 years-old, was detained for examination by the Okayama prefectural police on a charge of swindling a large number of Japanese by selling them stock in two American real estate and building companies which were found to be non-existent. One was known as the New York Real Estate and Building Company and the other as the Hackensack Syndicate of New Jersey. According to evidence, Okomoto incorporated the two companies with a capitalization of US$1,000,000 and US$5,150,000 respectively. He circularized people in Japan chiefly members of the Diet, government officials, and other persons numbering about 7,000. Mr. Okomoto obtained between Y3,500,000 and Y4,000,000. When pressed for interest on investments he claimed that practically all of the income from the property had been paid out as taxes to the New Jersey State Government. The number of persons swindled included 3,000 in Shizuoka Prefucture alone.

Szechuen Rich in Essential Materials; Government Stages Huge Development Program

BY C. Y. W. MENG

Szechuen, historically known as "Paradise on Earth," is indeed a heavenly-endowed rich province in China. It it rich in almost every essential material. Under its hillocks are found reserves of gold, iron, coal, oil, salt and other minerals. Szechuen tops the list of the Southwest with 9,847,000,000 tons of coal, out of the total reserve of 13,207,000,000 tons in the Southwest. It has an iron reserve of at least 65,000,000 tons, little of which has been utilized. It has an annual agricultural production valued at $1,000,000,000.

Since the war, more than $500,000,000 has been invested in various industrial and mining enterprises in the province to build up Szechuen as the "pillar" of China's war economy. Of this sum the national treasury has invested $30,000,000 in the development of iron, coal, and electric power, and paid $300,000,000 as grants to private enterprises. The Szechuen Provincial Agricultural Promotion Institute has a budget of $8,000,000.

These years have been the most successful years in the history of Szechuen. Much headway has been made in the industrialization of the province, and in the development of Szechuen's principal exportable products (such as the famous tung or wood oil, silk and bristles) which have international market; and much progress has been made towards self-sufficiency and self-support.

Added Income

Through government help and encouragement, farmers in Szechuen are far more happier today, and they were, according to accounts from the officials ources, benefited by a total additional income from their land of $20,000,000 in 1939. Of this amount, we are told, $6,000,000 came from sericulture; $4,000,000 from cotton; $2,000,000 from improved crops; $500,000, from scientific animal husbandry and $5,000,000 due to effective control of insect pests.

Szechuen's pre-war annual production of cotton was estimated at 800,000 *piculs* (about 110 lbs. to a *picul*). The demand of the province, however, was somewhere around 1.200,000 piculs. So every year, Szechuen imported from $30,000,000 to $50,000,000 worth of cotton. But now through the enforcement of the cotton-promotion program, Szechuen is now gradually attaining self-sufficiency so far the cotton production is concerned.

In 1939, the amount of credit loans extended to the farmers in Szechuen by governmental banks totalled $40,000.000. This was further increased to $100,000,000 in 1940. In the field of industries and mining, the total capital investment so far in the province is approximately $300.000.000.

With a view to the promotion of foreign trade, all resources are pooled to improve and increase Szechuen's agricultural and animal products demanded in foreign markets. To maintain internal trade, every effort is being made to keep Szechuen's products in free circulation with other provinces. All barriers in the way of inter-county trade are done away with. "Hoarding" is strictly prohibited. The financial and currency system in Szechuen is further strengthened by substantiating the provincial bank.

Production Promotion Plan

But the year 1941 will likely open a new era in the history of the development of Szechuen Province. Beginning from 1941, a number of economic reconstruction plans will begin operation. One of them is the "Three-Year Production Promotion Plan."

According to the report, this new reconstruction plan was worked out in the later part of 1940 under the direction of Generalissimo Chiang Kai-shek, then concurrently the Chairman of the Provincial Government of Szechuen, in accordance with his "Outline of Economic Reconstruction of Szechuen Province." This new three-year plan embraces three main fields, namely agricultural and forestry, industry and mining, and water conservancy and electricity. All projects as listed below are to be completed within a period of three years:

(1) Agriculture and Forestry:
1. The extension of scientific agriculture in general.
2. The promotion of agricultural economy.
3. The promotion of crop improvement.
4. The propagation of improved varieties of wheat.
5. The propagation of improved varieties of cotton.
6. The improvement of soil and the manufacture of manure.
7. The propagation of first trees.
8. The promotion of sericulture.
9. The development of tobacco growing and rolling.
10. The establishment of a province-wide net-work of weather observatories.
11. The development and control of forests.
12. The improvement of the stock of goats and pigs and animal husbandry and the control of animal diseases.

(2) Industry and Mining:
1. The establishment of a factory for the manufacture of sulphur.
2. The establishment of an alcohol plant.
3. The establishment of a soap factory and a sauce brewery.
4. The establishment of a machine shop.
5. The establishment of a factory for the manufacture of phosphorus.
6. The establishment of paper mills, match factories, pottery plants and glass works.
7. The development of chemical and handicraft industries.
8. The exploitation of copper, iron, coal and gold mines in the province.

(3) Water Conversancy and Electricity:
1. The development of river conservancy and farm irrigation.
2. The opening of waterways for navigation.
3. The prevention of flood.
4. The establishment of power plants in leading cities and industrial centers throughout Szechuen Province.
5. The establishment of an experiment station for irrigation of cotton fields and water reservoirs.
6. The establishment of a factory for the manufacture of bulbs and other electric supplies.
7. The establishment of a cement factory.
8. The establishment of a factory for the manufacture of farming machinery driven by water and electric power.

As I was told, each of these projects was referred to experts who mapped out the detailed measures to be carried out. All agricultural, forestry, industrial and mining institutes—private or government now in Szechuen are mobilized to push through this new reconstruction plan. As declared by Chen Cho-shan, Szechuen's Reconstruction Commissioner, in the last session of the Szechuen Provincial People's Political Council in 1940, that the whole plan would cost $1,200,000,000! Therefore, besides the issuance of the $100,000,000 Development Loan, every encouragement for capital investment by commercial concerns is given. The Central and provincial governments will share as much as their finance allow.

Tung Tree Production

Beginning the same year, Szechuen's "Five-Year Tung Tree Production Plan" will begin to operate in another effort to increase the annual production of Szechuen's famous tung oil from 800,000 piculs to 2,000,000 piculs in ten years. Under the direction of a special Tung Oil Commission under the Agricultural Products Promotion Institute of the Szechuen Provincial Government, the four "Extension Stations," (situated at Wanhsien, eastern Szechuen, Fulin, southeast of Chungking, Nanchung, central Szechuen, and Suifu, southwestern Szechuen, resectively), will, in the first year, cultivate nurseries totalling 150 mow with 600,000 young trees, which will be distributed among farmers for transplanting.

Szechuen used to produce 763,000 piculs of tung oil each year before the war, representing about one third of the national total. The production has been increased in recent years. At present the province has 1,520,000 mow of tung forests with 38,000,000 tung trees. The present five-year plan will add 450,000 mow of new forests with 16,000,000 trees, besides uprooting 200,000 mow of old trees add planting better and young ones instead. The province will thus have a total of 1,970,000 mow of better and

younger tung forests with 56,000,000 trees, capable of producing 1,000,000 piculs of fine oil.

Turning to the development of silk industry, I find there is another three-year program which provides $2,850,000 for the cultivation of mulberry trees, $550,000 for the development of pure parental lines of improved silkworn eggs; $39,000,000 for improved silkworm eggs; $21,180,000 for the propagation of improved eggs and better varieties of mulberry trees; $1,080,000 for the training of workers; $300,000 for experiments and research; $57,200,000 for making silk thread; and $61,300 for popularizing "giant silkworms."

According to one confidential report, at least a million dollars had been spent or appropriated by the Executive Yuan for the fostering of silk production in Szechuen. Only recently Generalissimo Chiang Kai-shek has ordered the Ministry of Economic Affairs to set aside $750,000 to improve silkworm-rearing and to extend mulberry-growing in the province. Of the interior provinces, Szechuen has the best prospects for silk development. The outlook of Yunnan as a silk center remains to be seen.

Beginning from 1941, the Foreign Trade Commission under the Ministry of Finance will buy large amount of bristles for export. Szechuen leads all provinces in the production of hog bristles, the annual output being 18,000 piculs, or 14 per cent of the nation's total production. Out of the 18,000 piculs are 4,000 piculs of the more valuable white bristles, representing nearly half of the entire white bristles production.

As I stated in the foregoing, tung oil, silk and bristles are three Szechuen's principal products which have international market.

5-Year Irrigation Plan

In order to increase the productively of high land in Szechuen, the River Conservancy Bureau of the Provincial Government of Szechuen has launched a "Three-Year Plan for the Irrigation of Highland in Szechuen." According to the plan, in three years, no less than 1,600,000 mow of land in Szechuen will be irrigated, at a total cost of $15,000,000.

Such a project is generally considered as great economic importance to Szechuen. So far, out of Szechuen's 96,272,000 mow of farm land, only 42,232,000 mow, or 43 per cent. are wet, and 54,050,000 mow, or 56 per cent, are dry farm land. Most of the wet farms are irrigated by native irrigation canals, or winter reservoirs. Of 54,050,000 mow of dry farm land, 5,000,000 mow could be converted into wet farms which will yield 20,000,000 piculs of rice more each year.

Szechuen-Sikang Highway

After 30 months of hard work, the construction of Szechuen-Sikang Highway completed at the end of October, 1940. But the regular bus and freight services between the two capitals of the two eastern provinces will likely be opened in 1941, according to the report, thus giving the "Baby Province" (Sikang) quick access the to outside world.

Work on this highway was started before the war. The 149-kilometer section between Chengtu and Yaan was completed by the Szechuen authorities and bus services were started by the Szechuen Highway Administration. With a view of developing the frontier district, the National Government ordered the early completion of the entire length of the road with all expenses met by the national treasury. The construction of this highway is now completed. It should, therefore credit the Chinese engineers with another brilliant success in road building comparable to that of the Yunnan-Burma Highway.

The construction of this highway really represents a great struggle between human power and natural force. When it was under construction, every day tens of thousands of laborers were fighting their way through huge rocky mountains which are part of the famous Omei Shan and Ta Liang Shan on the Szechuen-Sikang border. With their primitive instruments, they had been literally chiseling their way through 550 kilometers of mountain range in one of the most difficult parts of the country. More than 150,000 workers—a number of them were women and Lolos living along the line, and others were recruited from other Szechuen counties—were employed to cut their way across the 3,000-meter Kunglaishan range since May, 1938. They did a total of more than 3,000,000 square meters of earth work, and cut 1,400 square meters of rock. About 3,000 workers fought against snow ice, wind, hunger, diseases and rock for six months to cut 90-kilometers over the 3,000-meter Erhlangshan Ridge. Many of them died during the construction, but most of them managed to survive and withstand all hardships. Their toil is now well rewarded as the newly-completed highway is destined to play an important part in the national economic reconstruction.

All the above cited reconstruction plans will begin their operation in 1941. Therefore, in 1941 the economic reconstruction of Szechuen enters another important "stage" in history.

A Mother's Trials

After The Birth Of Her Baby.

After the birth of her baby many a mother is left in a weakened state of health. This was the experience of Mrs. M. Armanasco, 108 Alma Street, Fremantle, Western Australia, who tells how she recovered health and strength.

"I was left very weak after the birth of my child and was always suffering from pains and headaches. After taking a short course of Dr. Williams' Pink Pills, I am my old self again and have to thank these pills for my recovery."

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Japanese, Wang Ching-wei Officials Attempt To Convert Chinese to Opium Habit

"What value is an anti-opium drive in 'occupied' territory so long as Japanese and Wang Ching-wei officials not only condone the drug smoking vice but openly use every means available to convert Chinese to that destructive habit?" Such was the question raised by the recent announcement from Nanking of an anti-opium campaign.

The campaign, sponsored by the District Party Headquarters under the Central Kuomintang, stresses the evils of the opium smoking habit and provides for free treatment for opium addicts during that period. At the same time, however, the Wang Government capital continues to be plastered with bills advertising the whereabouts of Japanese-sponsored opium dens. The poppy, furthermore, continues to be a major crop in Japanese-occupied territory and only untaxed smuggled opium is opposed by the "New Order in East Asia".

"New Order" in Action

The above cartoon, drawn by a Chinese student, shows the "New Order" sponsored by Japan in action, with a Japanese soldier attempting to demoralize the Chinese population by encouraging the use of the demoralizing opium.

Campaign Value Nil

Under these circumstances, with puppet and invader officials attempting to increase the number of drug addicts, the value of the Central Kuomintang campaign is nil.

Meanwhile, proximity of Japanese-controlled areas to Shanghai International Settlement makes enforcement of Settlement anti-opium laws difficult. It was discovered only last week that the Japanese-sponsored drug has been seeping into the Foreign Concessions through a Buddhist Monastery at Changsha Road.

Yuan Tsao, Buddhist Chief of the Pao Kou Monastery at Changsha Road, was found to be the ring-leader of a heroin and opium smuggling gang, following arrest of Loh King-pao, one of his assistants. Yuan Tsao has not yet been apprehended by the police but his store of opium and heroin, contained in ten cigarette tins, was confiscated by the authorities. Part of the drug cache was seized in the monk's bedroom while the remainder was found in the hollowed center of a Buddha statue.

Many Foreign Users

The magnitude and destructive nature of the Nipponese condoned opium traffic among Concession residences is evidenced by the depraved condition of many foreign beggars recently cleared off the streets by the Shanghai Municipal Police.

These mendicants, mostly Russian and gipsy, were found to be suffering from the drug habit as well as malnutrition. Approximately 100 of them were unwelcome at hostels because of their passion for opium and drinking.

In contrast to the Nanking and Japanese sponsoring of the revenue-productive opium traffic is the Chungking drug policy. Severe punishment has been provided for persons involved in the traffic even to a minor extent. An example of this policy is the Hunan Provincial Government announcement that three men have been executed for cultivating the poppy or selling opium.

Hayashi Gets 2 Years; Sentence Suspended

Yukichi Hayashi, 70, former Chairman of the Japanese Ratepayers' Association in Shanghai, who was tried at Ntgasaki on a charge of attempted murder as a result of a shooting incident at the Special Ratepayers' Meeting in Shanghai January 23, was sentenced this week to two years hadr labor, with final execution of the term being suspended for fifive years.

Mr. Hayashi shot and wounded W. J. Keswick, Chairman of the Shanghai Municipal Council, Mr. Issaku Okamoto, Japanese member of the Municipal Council, and Mr. Kazuo Ikeda, assistant in the Council's Secretariat. The incident arose as a result of a heated debate over a raise in municipal rates to meet the deficit of the Council's budget.

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Official Purchase of Rice Leads To Improvement in Food Situation

Despite Japanese efforts to prevent China-grown rice from reaching international Shanghai, the food situation in that city has greatly improved during the past week.

Rice, stable food for most of Shanghai's multimillion residents, has steadily declined in price until now it is once more coming within the price range of average families. Latest retail prices on the grain indicate that it now costs approximately $115 per zah, $39 less than last week's record price of $154 per zah.

Cause for this phemomenal price drop is due to the new food policies adopted by both the Shanghai Municipal Council and the French Concession. These governing bodies have entered into the rice trade in order to bring rice within the range of existing Chinese family earnings and to break the injurious monopoly of the cereal, maintained by rice speculators and hoarders. According to the new policy, the Municipal Council and the French Concession become the exclusive importers of major shipments of rice from Hongkong and French Indo-China, respectively. A set maximum price will be worked out on the basis of actual costs of purchasing and transporting the grain. This will afford rice dealers and hoarders little opportunity for detrimental speculation.

First Shipment Arrives

The first shipment of 5,000 tons of the grain reached Shanghai on May 12 and is largely responsible for the continued drop in the price of rice. It is being sold at a maximum price of $110 per zah. As additional shipments arrive the price will be further reduced.

An authoritative source disclosed that 600 tons of this first shipment have been forwarded to wholesalers, while the main quantity of the 5,000 tons has been distributed to retail rice shops for sale at the maximum price.

Delay in the distribution of the initial shipment of rice brought here by the Shanghai Municipal Council, caused by the recent rainy weather, allowed speculators to sell a few zahs of the grain at inflated extortionate rates. This evil practice has now been ended however, and subsequent supplies of rice may force the price to even lower levels.

French Buy Rice

Further shipments of the cereal are expected to arrive here from Hongkong before the end of the week, while additional supplies amounting to 25,000 tons monthly, will be imported here.

Meanwhile, it is learned that the first shipment of rice to be brought here by the French Concession authorities from Indo-China will arrive early next week. The first boatload of this rice will total about 8,000 tons and will be sold at a maximum price of $100 per zah.

Pledge Churchill Support

The British China Association of Shanghai, the British Women's Association and the British Chamber of Commerce sent a cable to Winston Churchill, British Prime Minister, on the occasion of the anniversary of Mr. Churchill's assamption of the Premiership. The message read as follows, "On the anniversary of your becoming Prime Minister we again assure you of our unwavering support, confidence in your leadership and fervent faith in ultimate victory."

In the United States Court for China

In re: The Estate of MALCOLM F. FARLEY Deceased.	Cause No. 4587 Special Proceedings No. 2466 NOTICE to Creditors To be filed at Shanghai, China, April 22, 1941 WILLIAM T. COLLINS *Clerk.*

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of MALCOLM F. FARLEY, deceased, to present the same with vouchers to the undersigned on or before 26th day of October, 1941, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

(Signed) PAUL P. WIANT
Foochow, China.
or
ALLMAN, DAVIES and KOPS
208 Hamilton House,
Shanghai, China.

Shanghai, China,
April 22, 1941.

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"ID" Emulsion of Cod Liver Oil
"ID" Cod Liver Oil with Malt Extract

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Chungking Circles Avow China's Cause Definitely Linked with Future of America, Britain

The cause of China now and in the furure is definitely aligned with that of America and Britain, a policy which has lately been recognized by Chungking circles as the ABC policy (America, Britain, China), according to Chinese circles in the war time capital of China.

This alignment became unmistakable as long ago as April 6 when War Minister General Ho Ying-chin, broadcasting to the United States and Britain, said, "Ours is a common cause. . .The victory we seek will be your victory and your victory will be our victory," according to a *United Press* report from Chungking.

Generalissimo Chiang Kai-shek, during the May 10 farewell reception for Mr. Nelson T. Johnson, retiring United States Ambassador to China, also emphasized the alignment in stating that Chinese victory or defeat in the war with Japan also will be an American victory or defeat in the Pacific, another *United Press* report said.

Generalissimo Ching referred to a *Japan Times & Advertiser* peace plan proposed in the newspaper April 30. The proposal, he said, was evidence that Japan plans eventually to strike at American possessions in the Pacific...."Chinese victory or defeat will be an American victory or defeat for that reason," The Generalissimo said.

"Traditional Friendship"

"I propose to make the theme of my address the traditional friendship between the American and Chinese nations and the responsibilities that today and in the future must be discharged in common.....China and America have common interests in the Pacific Ocean."

Peace and order in the Pacific have been shattered by Japanese militarists, he said, adding that a blow struck at one of the nations is equally a blow to the other.

"Neither can conceivably be an indifferent spectator," he said.

Four years of Chinese resistance have exhausted Japan so that how she must resort to threats, blandishments and bluff to gain her ends of disintegrating the ranks of her desired victims, Generalissimo Ching said. "If all the nations friendly to us will do what in justice may be expected of them in supporting Chinese resistance, by supplying us with war materials and economic aid, China is prepared to undertake single-handed the task of putting down this enemy in behalf of all who would dwell in peace on the shores of the Pacific," he said.

Prominent Officials

The reception was also attended by the entire staff of the American Embassy and a number of Chinese officials, including Yu Yu-jen, Chu Cheng, H. H. Kung, Wang Chung-hui, Wu Te-chen, Chen Chi-tang, Chang Kia-ngau, Weng Weh-hao, Wu Chung-hsin, Chen Shu-jen, Liu Chih, Wu Kuo-chen and Generals Ho Ying-chin, Pai Chung-hsi and Feng Yu-hsiang.

The exchange of Ministers between China and Australia was a step nearer as the Australian Cabinet on May 10 approved in principle the immediate exchange of Ministers with China, according to a *United Press* report from Canberra. The report was immediately praised by the *Ta Kung Pao*, which declared, "The center of world events is gradually shifting from the Atlantic to the Pacific, on the shores of which stand the United States, China and Australia. The exchange of diplomatic representatives between Australia and China will contribute much to joint defense against their common enemy and to stabilization of the Pacific situation."

Koo to London

The Chinese Government, on May 6 officially appointed Dr. Wellington V. K. Koo, Ambassador to France, as Ambasssador to London, replacing Dr. Quo Tai-chi, who is en route to China to become the new Foreign Minister. Dr. Wei Tao-ming, Secretary-General of the Exceutive Yuan, will replace Dr. Koo at Vichy, according to the *United Press*.

Dr. Quo Tai-chi, meanwhile, revealed while meeting the press in Washington that the United States would cooperate in establishing a rail route into China from Burma, He said further that such a rail route is the symbol of Sino-Anglo-American cooperation, according to an early *Domei* report from Washington Dr. Quo told the press that he was greatly encouraged over prospects of Sino-American cooperation.

The Burma Highway, however, was subject of many rumors last week. Early Japanese allegations said that Britain might be planning to "buy time" and stave off the Japanese southward drive be changing her policy toward China and closing the Burma Road. The allegation on May 9 met the official denial of the British Ambassaord to China, Sir Archibald Clark Kerr, who, in a special statement, said that, with the full approval of the British Secretary of Foreign Affairs, Anthony Eden, he could state that Britain's policy remained the same and that the Burma Road would continue to remain open.

Road Said Unfit

Another allegation to the effect that the Burma Road is impossible for transportation as it is in such a bad condition was contained in a dispatch to the *Washington Evening Star*, American daily published in Washington. The report was also catetorically denied on May 12 in Chungking by Pang Shi-pei, Vice-Minister of Communications.

A National Financial Conference will be convened in July in Chungking, according to a *Kuomin* report from that city. The conference, it was reported, will be attended by the various Provincial Commissioners of Finance as well as financial experts especially invited by the Ministry of Finance. The conference will discuss measures for the readjustment of the methods for the district financial administration, readjustment of local revenues, and promotion of economic reconstruction, it was also reported.

Japan's New "Sport A La Japonaise!"

From "China at War," Hongkong

British Envoy Asks Further Enlistments

Sir Archibald Clark-Kerr, British Ambassador to China, in a public statement this week asked that more British subjects in China enlist for service with the British forces. Sir Archibald declared:

"In the past I have told you that you were helping our war effort by remaining at your jobs, though it was the duty of everybody who could be spared to join up.

"Today conditions have changed; more men are needed than before and it is the duty of every able-bodied British subject in China to consider whether his services might not be more useful in the armed forces; this applies particularly to young men between 20 and 30 whether married or not.

"Firms should consider whether they cannot make special arrangements to release younger men, even if this means more work for those that remain. While the continued effieiency of British businesses in China is important, the flow of recruits is certainly no less important and I am sure that those concerned will be able to find ways of maintaining efficiency without holding back men whose place is in the fighting forces."

Japanese Again Seize American Vessel

For the third time within six months the Estelle L., American-owned coastal boat, was detained by the Japanese authorities off The Bund, following the vessel's arrival here from Wanlingkong, Yangtze delta port, with a large cargo of cotton, according to the **Shanghai Evening Post-Mercury.**

Japanese officials declared that the seizure of the American vessel was carried out because the Estelle L. was carrying contraband sargo, but were unable to indicate whether the cargo would be confiscated and when the ship might be released. It may be recalled that the Estelle L. was seized by the Japanese authorities for the first time last summer near Woosung and detained for nearly two weeks.

Last November the ship was again seized by the Japanese when it attempted to pass through the Japanese blockade on the Chekiang coast, together with 12 other coastal ships of various nationalities. Early last February the ship was finally released, following lengthy negotiations between the Japanese and American authorities.

Chungking Tackles Food Problem

The Chungking authorities this week took three further measures to solve the foodstuffs problem.

One of them was to suspend for two months, as from May 1, the conscription of men to serve in the army, in order to increase rural manual labour.

The second was to permit a slight increase in the price of rice in Chungking so as to make it equal to that in force in other towns and thus encourage deliveries of rice to the capital.

The third was to encourage the purchase of flour to make up for the lack of rice. The Government itself will buy large quantities of flour and sell it at a reasonable price if the cost price is too high for merchants.

Break up Your Child's Cold.

Evidence of the efficacy of Baby's Own Tablets as a sterling remedy for the ailments of childhood is continually forthcoming. A letter from Mrs. Roy Herman, 108 Wood Street East, Hamilton, Ontario, Canada, is but one of the many received. Mrs. Herman writes:—"Baby's Own Tablets soon break up colds. I have found them very helpful at teething-time too."

When you see your child with a cold coming on, do not lose any time in giving Baby's Own Tablets. Equally good for the correction of constipation, colds, indigestion, sleeplessness, upset stomach, to expel worms and relieve the pains of teething, the tablets will be found of the greatest value in any home where there are children. The prescription of a physician who specialised in children's ailments, Baby's Own Tablets are guaranteed free from any opiate or narcotic, and can be given with perfect safety to the youngest infant. Chemists everywhere sell

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Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

April 27

Chinese forces in Hupeh Province claimed to have completely repulsed the Japanese offensive in the Tahungshan Mountains region after a fortnight of sanguinary fighting. The Chinese were said to have reoccupied all their original positions held prior to April 10.

The Chinese press in Chungking expressed appreciation for British and United States financial assistance to China, stressing the fact that Britain granted the loan while herself facing tremendous difficulties.

Sympathy and admiration of the Chinese people for the British people were voiced by Madame Chiang Kai-shek in a broadcast relayed by the British Broadcasting Company.

Mr. William C. Bullitt, former Ambassador to France, told the American people over a nation-wide radio broadcast that the battle-field in China, in a literally strategic sense, "is our western front," and urged America to support China not only with all resources and strength but by providing effective delivery of necessary materials, the **United Press** reported from Washington.

⁂

April 28

The branches of the four Government banks in Shanghai resumed business.

Governor Lung Yun of Yunnan, in an address delivered in Tsinghua University, declared that he was ready to inflict a crushing blow on the Japanese if they attacked his province, according to the **Central News Agency.**

Domei reported from Tokyo that Lieut.-Gen. Yasuji Okamura, Supreme War Councilor, and Lieut.-Gen. Kenji Doihara, Supreme War Councillor, and and Director of the Military Academy, had been promoted to the rank of full Generals.

The three Chinese members of the Sino-American and Sino-British stabilization funds board, it was learned authoritatively by **Reuters,** are Mr. K. P. Chen, Governor of the Shanghai Comi mercial Savings Bank and concurrently chairman of the Foreign Trade Commission; Mr. Tsu Yeepei of the Bank of China, and Mr. Hsi Teh-mou of the Central Bank.

According to the **Central News Agency,** Chinese forces continuing their advance after reoccupying Linhai on April 25, recaptured Huangyen, on the Chekiang coast. In the Chuki sector Chinese forces launched a counter-attack and now were advancing towards that city, the **Central News Agency** added .

⁂

April 29

More than 20 Japanese airplanes raided Kunming, provincial capital of Yunnan, at 1.30 p.m., reported **Kuomin** from that city. More than 100 bombs were dropped indiscriminately on the center of the city, destroying several hundred houses. The China Inland Mission buildings were demolishehd and the British Consulate building damaged. Meanwhile, 27 Japanese airplanes raided Hunan. A group of nine attacked Cheyang three times, dropping many bombs, while a second batch of 18 raided Lunshuitan also three times. Only slight damage was reported.

Captain James Roosevelt, of the United States Marine Corps, eldest son of the American President, and Major Gerald Thomas, U.S.M.C., arrived in Chungking. Captain Roosevelt told representatives of Generalissimo Chiang Kai-shek at the airport that "I bring you the President's greetings and best wishes."

The last rites of Col. Hsieh Chingyuan murdered leader of the noted interned Lone Battalion at Shanghai were attended by more than 30,000 people. Mourning scrolls and wreaths were sent by Chinese national leaders, including President Lin Sen, Generalissimo Chiang Kai-shek and Dr. H. H. Kung. A special pension of $50,000 has been conferred on the family of the late Colonel Hsieh by order of Generalissimo Chiang Kai-shek

The **Central News Agency** announced that after a violent attack on Wenchow, Chinese troops recaptured several heights southwest of the town, killing 100 Japanese troops and taking a Japanese captain prisoner. Meanwhile, major fighting in the Chuki sector in eastern Chekiang was reported looming. Strongly reinforced, the Japanese violently attacked the Chinese positions at Paitowchen and Anhwa from Waichen, south of Chuki, on April 26 but were repulsed by the Chinese defender.

Chungking mlitary spokesman categorically denied the report that 2,000 Chinese soldiers had entered Burma on April 20.

Chinese troops claimed to have shot down one of the Japanese airplanes which machine-gunned Chinese troops in the Chuki sector.

⁂

April 30

Chinese officials at Chungking believed that the Soviet decree prohibiting the transit of war material via the Soviet Union would not affect the transit of Russia's military supplies to China. Instead, they were of the opinion that the decree might work out greatly to China's benefit, by preventing the shipment of German war materials via the Soviet Union to Japan.

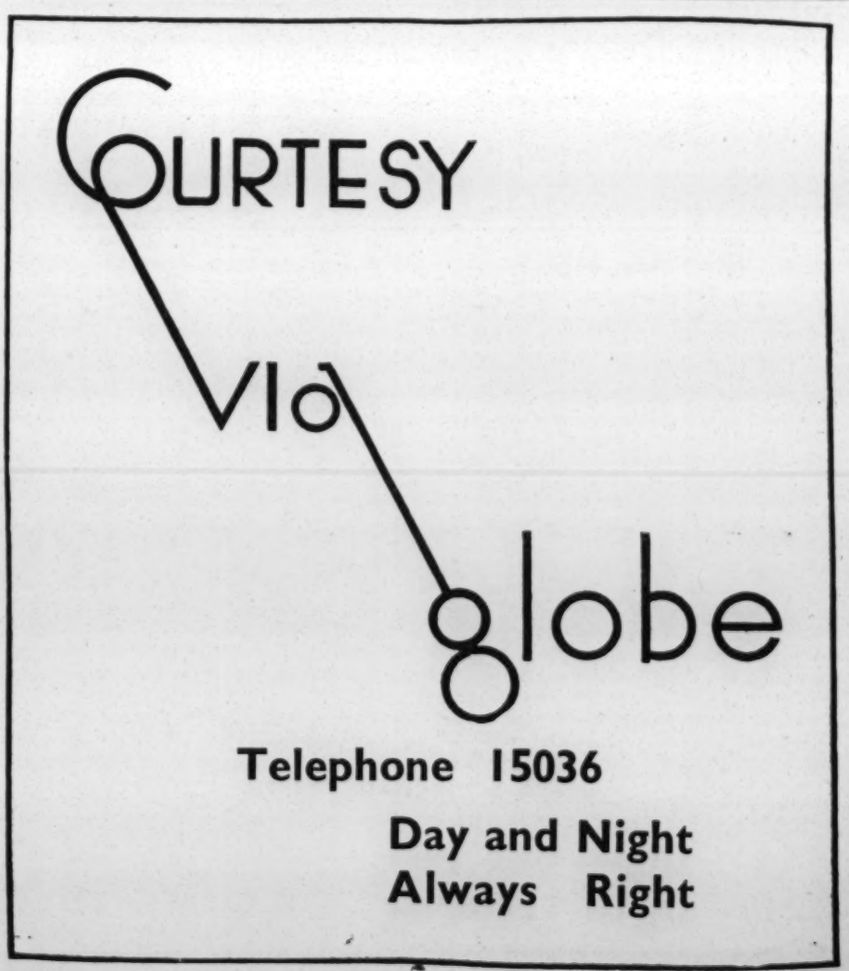
President Roosevelt said that as a result of his talk with Dr. Quo Tai-chi, retiring Chinese Ambassador to London, he was most encouraged over prospects of Sino-American cooperation. Dr. Quo, meanwhile, said that Chinese moral was never higher than at present and China would undertake an offensive against Japan as soon as she gets planes.

The Chinese military spokesman said that the military operations in Fukien and Chekiang province would not affect the price of prime necessities, adding that many essentials have already been subjected to price restrictions by the competent authorities.

Tunglu and Kinhwa in Chekiang and Unsze in Hupeh were among targets bombed by the Japanese air planes. Chinese anti-aircraft batteries were reported to have shot down a Japanese plane north of Lanchi, also in Chekiang.

Jesse Jones, United States Secretary of Commerce said the Chinese Government still has large, unutilized credits in the United States.

Sir Archibald Clark Kerr, British Ambassador to China, arrived in Kunming from Rangoon, capital of Burma, via the Yunnan-Burma Highway.



May 1

Severe fighting has again broken out in the triangular area in southwestern Shansi, **Kuomin** reported from Sian. The Chinese military spokesman said that the frequent movements of Japanese troops in southern Shansi and southern Hupeh may result in some activity in those regions shortly.

A Japanese attack on Shangyu from Yuyao in eastern Chekiang was successfully repulsed by the Chinese. Chinese troops were engaged in "mopping up" remnant Japanese units at Tsaotashih, Paitowchen and Kaiting, near Chuki, according to **Kuomin.**

Japanese units landing in the Kiataze area in southeastern Kwangtung Province claimed to have captured the city of Kiatze, 40 kilometers southeast of Lukfeng.

Japanese bombers were active in areas arround Anking, provincial capital of Anhwei.

Tokyo's **Kokumin** Shimbun declared that "'It is absolutely necessary to stop aid to Chiang Kai-shek by Great Britain, the United States and other Third Powers in order to settle the China hostilities."

Shanghai's Provisional Council officially met in Council Chamber at 4.30 p.m. and elected Mr. J. H. Liddell, British business tycoon, and Mr. Issaku Okamoto, Japanese councillor, as Chairman and vice-Chairman respectively. Jabin Hsu and Theodore C. Chang, reportedly backed by Nanking circles, were two of the Chinese Councillors present at the meeting. The other two Chinese Councillors are L. T. Yuan and Yulin Hsi. The latter was absent from the meeting.

An official Japanese report said that United States Marines stationed in north China would be recalled shortly, **Reuters** reported from Tientsin.

The International Labor Day was observed in Chungking at a mass meeting held under official auspices.

May 2

Following a successful Chinese counter-offensive, Chinese forces reoccupied simultaneously Wenchow and Haimen, important Chekiang ciastal ports, according to a **Reuters** report quoting Chinese field dispatches. During the fierce fighting, it was claimed, more than 1,000 Japanese were killed and a large quantity of arms and ammunition was seized. Japanese troops at Kaiting, east of Chuki, were also routed by the Chinese in a night assault, reported **Kuomin.**

Dr. Quo Tai-chi said in New York that he United States, Great Britain and China must pool their economic and military resources to save the world for Democracy.

*
**

May 3

Chungking was subjected to one of the worst bombing raids this year when 63 Japanese aircraft in two groups rained more than 200 explosive and incendiary bombs on the business district, according to a **Reuter** report from Chungking. Five persons were killed and 11 injured and 50 houses were demolished: six fires were started, but they were quickly put under control. continued **Reuter.** Among the damaged buildings were the Press Hostel and the offices of **Transocean News Service.** The alarm was raised at 11 a.m. and ended at 2 p.m. The efficiency of Chinese air raid precaution workers after the bombing made a deep impression upon Harold Timperley, former China correspondent for the **Manchester Guardian.** Mr. Timperley said that air raid precaution workers in London had much to learn from those in Chungking, according to **Havas.**

Japanese army declared their withdrawal from Wenchow and Haimen in the Chekiang coast after "completion og operations," adding that they had embarked for operations in another sector.

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Who's Who in China

Cheng Hsiung, government official, born at Yung district, Kwangsi province, 1894; educated at Kweilin Military School, and the Wu Han and Paoting Military Academies and graduated from the latter in 1917; entered army service

Chen Hsiung
陳　雄

in Kwangtung and Kwangsi, joined the revolutionary army in 1913 as colonel and was with the Kwangsi army at Canton until 1926; from 1929 he was major-general of the Revolutionary Army at Canton and concurrently the director of the Anti-Opium Bureau of Kwangtung; returned to Kwangsi in 1929 and became major-general of the Fourth Group Army and Director of the Provincial Tax Bureau in 1933; Director of the Anti-opium Bureau of Kwangsi in 1934; chief manager of the Import and Expert Syndicate of Kwangsi in 1935; head of Kwangsi branch of the National Anti-opium Board in 1936; since September 1937 the Commissioner of Reconstruction of Kwangsi Government; address: Kwangsi Provincial Government, Kweilin, Kwangsi.

Chungking perdicted closer Sino-American cooperation as a result of the latest international developments. Following the disclosure that a complete list of supplies which the United States was sending to China under the aid program already had been received in Chungking, **Reuter** learned authoritatively that two American aviation experts would arrive in Chungking on May 15.

Dr. Quo Tai-chi in Washington asked the United States for bombing and combat planes, guns and raw materials to help China fight Japan.

Red Cross Supplies Reported Lost

The German **Transocean News Agency** reported May 7 that the American Red Cross supplies valued at US$1.056,000 had been lost as a result of German action. According to Norman H. Davis, President of the Red Cross, all of the supplies lost were aboard non-American steamers. No American ships carrying Red Cross materials had been interfered with. Mr. Davis also stated that American Red Cross supplies valued at US$1,200,000 had reached Greece prior to the occupation of that country by the Germans. A later **Reuter** report from Washington on May 11 said that Americans Red Cross supplies valued at more than US$16,.000,000 had reached Great Britain. The supplies were sent in 900 consignments in 369 ships of which only 11 cargoes had been lost.

Men and Events

Miss Agnes Smedley, American writer and author of books on China, who now resides in Hongkong, is departing shortly on a trip to the United States.

•

Serious floods have occurred in the Novo-Sibirsk area of Siberia, according to report from Moscow this week. The floods were caused by the overflowing of the River Ob, which in some cases reached a level of 13 meters, stated the report.

•

The Australian Trade Ministry announced on May 8 that the Australian Government would not agree to a proposal from Japan increasing Japan's purchases of Australian wool. The report stated that the present agreement between the two countries provides for the purchase by Japan of 250,000 bales annually.

•

The American University Club announced a dinner-dance for Thursday evening, May 15 in honor of Dr. and Mrs. F. L. Hawks-Pott and Major Arthur Bassett, who are planning to depart for the United States shortly. The function was scheduled for the American Club and was limited to 200 reservations. Both Dr. Pott and Major Bassett have served as president of the University Club.

•

John Morris, Manager of the **United Press** in the Far East, is shortly to be married to Miss Sandy Tittmann, niece of Judge and Mrs. Milton J. Helmick, according to announcements received by friends in Shanghai this week. Miss Tittmann, who visited in Shanghai last year, returned home with Mrs. Helmick several months ago and is now residing in Salt Lake City. The marriage will take place when Mr. Morris returns home on furlough in the next few months. Judge Helmick is also planning a short trip to the United States this summer.

•

The Nanking Government will stage a "mass-marriage" ceremony early in July, according to a report in the Japanese paper **Shanghai Mainichi** last week. The ceremony will be sponsored by the Social Affairs Bureau of the Nanking Municipality, according to the report. The practice of staging mass-marriages was originated by Mayor Wu Teh-chen, prior to the Japanese invasion in 1937. The purpose of the ceremony was to enable persons of moderate means to get married without the traditional formalities which involved heavy expenditures.

•

Proof that terrorism is not confined to Shanghai was provided by two recent reports from the United States: Herr Harrich Simon, former Editor-in-Chief of the well known German newspaper **Frankfurter Zeitung**, was clubbed to death in Washington, D. C. on the night of May 6. Those responsible for the crime had not been arrested, according to the **Havas** report. Herr Simon entered the United States as a political refugee from Germany shortly after the advent of the Nazi regime. He was the grandson of the founder of the **Frankfurtker Zeitung**. The Washington police report stated that robbery was not the incentive of the murderers. The other murder, also apparently of a political nature, occurred in Chicago on April 16 when John F. Arena, noted anti-Fascist editor of **La Tribuna**, Italian newspaper, was shot and killed as he was parking his car. Arena, a former marchese, had been conducting a campaign against "fifth column" activities of men high in Italian circles in the United States.

Wang Hsueh-lun, resident of Kweiyang, capital of Kweichow Province, was arrested on May 8 and found guilty of operating a secret opium den. He was ordered executed by the Yunnan-Kweichow Peace Preservation Headquarters, according to **Kuomin**.

•

According to the **Central Press Service**, organ of the Nanking Government, there are at present approximately 100,000 unemployed seamen in Shanghai. Ths report said many of these seamen have lost their jobs because of the curtailment of shipping as a result of tne war situation.

•

M. D'Auxion De Ruffe, well-known French attorney, was scheduled to addreess members of the Royal Asiatic Society on the subject of "Criminal Procedure in Ancient China" at a meeting May 15. The chair was to be taken by Mr. A. H. George, President of the Society.

•

The Japanese authorities announced on May 11 the adoption of a new law designed to frustrate foreign espionage. In order to familiarize the people with the new law, the Ministry of Home Affairs has announced an "'Anti-Espionage Week," which was scheduled to start on Tuesday of this week. The report stated that the people will be taught the importance of anti-espionage defense as a means of protecting the state.

•

The Prime Minister of Australia, Mr. Robert Menzies, who has been in Great Britain for some time, arrived in Ottawa, Canada on May 7 for a conference with William Mackenzie-King, Canadian Premier, and other officials. Later, Mr. Menzies plans to visit the United States for a conference with President Roosevelt and Secretary of State Cordell Hull, following which he plans to return to Australia by airplane over the new San Francisco-Australia route recently inaugurated by Pan American Airways.

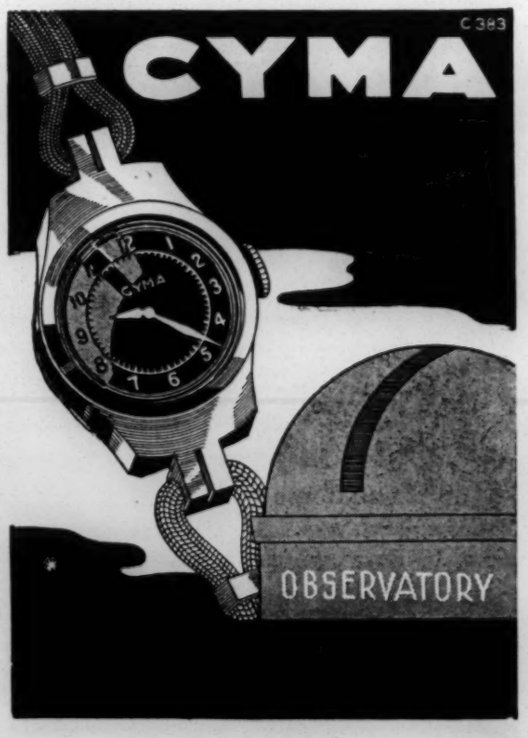
The Chinese Government announced May 6 that an official Chinese Development Company with a capital of $10,000,000 had been formed for the purpose of fostering the development of agriculture, industry, and mines. The Chairman will be Aw Boon-how, Singapore millionaire.

•

Zenkichi Sabata, a Japanese antique dealer in Hyogo Prefecture, Tokyo, announced May 1 that he had discovered a fortune in gold and jewelry which had been concealed in an image of Buddha which he had recently purchased. The image had been purchased in China for Y200 and was about 2 feet high. He said the treasure consists of small golden images of Buddha, pearls, emeralds and other valuables. The treasure was found through the accidental discovery of a piece of crystal which had served as a plug to a large hole in the image inside which he found the valuables.

•

James G. Blaine, Chairman of the United China Relief Campaign, announced May 5 that campaign units were operating in 13 important cities throughout the U. S. and expressed the opinion that the drive for US$5,000,000 for relief and rehabilitation work in China would be successful in reaching the announced goal. He said that a total of US$148,882.25 had been reported by 7 groups within first week of campaign. He said that in this period American Bureau for Medical Aid to China had shipped the chassis of 20 ambulance trucks to China. Each had a capacity of 14 stretchers. He further said that large quantities of surgical instruments, chemicals, and laboratory apparatus had been sent to China and an order had been placed for 2,500,000 capsules which were being prepared to meet the vitamin deficiency of Chinese children. The medicines were being divided equally among war orphanages supervised by Madam Chiang Kai-shek and Madam Sun Yat-sen.



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Shen-I, deputy director of the Kwangtung Provincial Food Control Administration, was found guilty and sentenced to life imprisonment at Shuichow on May 7, on a charge of secretly selling public foodstuffs.

•

The Soviet official organ, **Pravda** declared May 4 that the Russian Red Army could meet victoriously any army in any theater of war whatsoever. The paper said that "no enemy aircraft would dare to challenge the defenses of our anti-aircraft batteries."

•

Agents of the U. S. Federal Bureau of Investigation held up the sailing of the Japanese ship Buenos Aires Maru at Los Angeles and searched 37 German passengers who had embarked for Japan. According to **Domei**, the G-Men compelled the Germans to turn their pockets and socks inside out and unbutton their shirts. Four were removed from the ship on suspicion of violating the draft act. The Germans came from New York, Chicago, Detroit, San Francicsco, and Denver.

•

Yu Ya-ching, well known Chinese businessman and shipping magnate of Shanghai, who recently went to Chungking, has proceeded to Chengtu, capital of Szechuen and after a few days there will fly to Sian, capital of Shensi. According to **Kuomin** Mr. Yu is investigating communications problems in the Western and Northwestern provinces with the object of inducing the people of Shanghai to invest money in industrial development in China's northwestern provinces.

•

Brigadier-General Henry B. Clagett, former commander of Selfridge Air Field in the U. S., arrived in Manila May 4 to take over command of the U. S. Army Air Service in the Philippines. General Clagett is the first U. S. Air Corps general officer to command air forces in the Philippines. He arrived in Manila by Clipper plane and was welcomed on arrival by a formation of 36 U. S. Army pursuit planes which maneuvered over Manila and Cavite in formation. General Clagett served as an infantry officer in the Philippine Islands between 1908 and 1910.

•

Chinese authorities at Chungking announced on May 11 that the air service between Chungking and the Soviet Union, which was suspended for some time, has been resumed. For the present the service will be limited to one trip a week each way. The service between Chungking-Moscow, via Lanchow, Sinkiang and Alma-Ata was started in 1937, the Russians assuming responsibility for the Alma-Ata-Moscow section and the Chinese for the Chungking-Hami, while the section crossing Sinkiang between Hami and Alma-Ata was operated jointly. The service is operated by a joint Sino-Soviet Company organized somewhat like the Sino-American set up in the China National Aviation Corporation and the Sino-German organization in the Eurasia Aviation Corporation.

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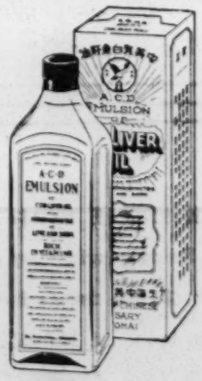

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In the United States Court for China

MORRIS SCHUSTER, *Plaintiff,* vs. JEANETTE SCHUSTER, *Defendant.*	Cause No. 4590 Civil No. 2469 ORDER Filed at Shanghai, China, April 28, 1941 WILLIAM T. COLLINS Clerk.

The object of this suit is an action for divorce.

WHEREAS, plaintiff herein, by his attorneys, Messrs. Rodger & Wiener, has this 28th day of April, 1941, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 28th day of April, 1941, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 28th day of April, 1941, the plaintiff herein filed an Affidavit to the effect that the defendant is a non-resident of this District, and that defendant's last known address was No. 2710 Bainbridge Avenue, Bronx, New York, United States of America.

NOW, THEREFORE, it is this 28th day of April, 1941. ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the China Weekly Review, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 17th day of May, 1941, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

By the Court,

MILTON J. HELMICK,
Judge.

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THE CHINA WEEKLY REVIEW

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The California Clipper arrived in Singapore May 10, inaugurating a new clipper service across the Pacific from San Francisco.

*

The Australian Cabinet on May 10 decided to exchange Ministers with the Chinese Government, according to report from Canberra.

*

The Geographical Institute of the Soviet Russian Academy of Science on May 11 announced that a scientific expedition will shortly be sent to the Inner Asiatic Tienshan mountain range.

*

The U. S. Maritime Commission announced last week that more American ships will call at Chinese ports in the near future in connection with the program of extending more aid to China.

*

The branch of the Bank of Taiwan located in Shaokwan, Kwangtung province, was robbed of more than $2,000,000 on the night of May 6, according to a **Havas** message from Chungking.

*

Miss Lucy Evelyn Alcott, daughter of Shanghai's well-known radio broadcaster Carrol Alcott has arrived in the U. S. and is scheduled to enter the University Art School at Iowa City, Iowa, this fall.

*

Commander John N. Creighton, U. S. Naval Attache stationed at the American Embassy at Peiping, has been transferred to active duty with the U. S. Fleet, according to a **United Press** report from Washington, D. C. May 6.

*

The Japanese authorities at Tokyo announced on May 9 that a mission consisting of six Japanese civil engineers had been selected by the Home Ministry to proceed to Afghanistan for the purpose of assisting that country in the construction of a system of modern roads. The sending of the Mission was upon the invitation of the Afghanistan Government and resulted from a visit to Japan of a mission from Afghanistan. The Japanese Mission is expected to depart from Tokyo on May 15.

*

Stockholders of Asia Life Insurance Company, local American concern, were informed that the profits of the Company for the past year amounted to US$108,-454.76, at the annual stockholders' meeting held at the head office, 17 The Bund, on Sunday morning, May 11. The report was presented by Mansfield Freeman, President. Directors elected were N. F. Allman, W. A. Hale, Tsuyee Pei, C. V. Starr and Mansfield Freeman. The profits were added to the surplus outstanding, which amounted to US$75,-936.62. Actuarial reserves, set aside to meet policy obligations amount to US$2,513,021.81. Total assets were reported at US$3,240.077.12, representing an increase of US$434,163,39 over the preceding year. According to the report nearly 50% of the insurance in force, amounting to US$19,932,031, is in the Philippines.

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Kinosuke Hoshino, Deputy Commissioner of the Dairen Customs has been appointed Consul-General at Osaka by the Government of Manchukuo, according to a report from Shinking last week.

*

Dr. C. T. Wang, former Minister of Foreign Affairs who is now Chairman of the Chinese Red Cross Society, arrived in Kkeiyar capital of Kweichow province May 9 on an inspection trip.

*

Quo Tai-chi, recently appointed Minister of Foreign Affairs at Chungking, is expected to arrive in Hongkong from the U. S. by the end of May. Dr. Quo, who was formerly Ambassador to Great Britain, in now in the U. S.

*

The official Japanese **Domei** service reported May 10 that 123 U. S. Marines stationed in Peiping and Tientsin will depart for Manila shortly. According to the Japanese report the Marines were scheduled to leave May 20 aboard the transport Henderson.

*

The National Government at Chungking announced May 7 that Dr. Wai Tap-ming, Secretary-General of the Executive Yuan, would shortly be appointed Chinese Ambassador to France in succession to Dr. V. K. Wellington Koo, who has been transferred to London.

Sir Archibald Douglas Cochrane, former Governor-General of Burma, arrived in Manila May 10 enroute to the U. S. He is accompanied by Lady Cochrane and they are traveling by Clipper plane. After conferring with officials in Washington they plan to proceed to Great Britain.

*

Dr. Tseng Lei, commissioner of Police for Shuichow, temporary Capital of Kwangtung province, was detained Tuesday, May 6 on a charge of extortion and corruption, according to **Kuomin** report. Fan Ya, a staff member of the police bureau, was also detained, it was said.

*

Lieutenant-General Hiroshi Oshima, Japanese Ambassador to Berlin, departed from the German Capital May 11 for Rome where he was scheduled to confer with Zembei Horakiri Japanese Ambassador to Italy. General Oshima has been credited with chief responsibility for the formation of the Tokyo-Berlin-Rome Axis.

*

wo U. S. flying officers, Major-General Rowell and Captain Dyer of the U. S. Army Air Corps are visiting in Chungking. Following their visit they are scheduled to proceed to Egypt where they will serve as U. S. military observers. While in Chungking they made an inspection of aviation conditions in that city.

*

Henry Luce, publisher of the well known American magazines **Time, Life,** and **Fortune,** and his wife, Claire Booth, who is a well known playwright, who are now visiting in Chungking, were guests at a reception given in their honor by Dr. Wang Chung-hui, Minister of Foreign Affairs on May 9. On May 8 they were entertained by Dr. H. H. Kung, Minister of Finance. Mr. and Mrs. Luce crossed the Pacific by Clipper plane.

*

Tung Wen University, a Japanese institution here has announced that 31 so-called "surveying parties" composed of 109 senior students of its commercial department will depart for a two months' tour of 15 provinces in China. The object of the tour, according to the local **Tairiku Shimpo,** is to study economic and social conditions. Students in Tung Wen University are recruited in Japan and sent here for four years' intensive study of Chinese language, history, geography, economic and social conditions. The school has long been known among Chinese as the "Spy College."

Barnett Discusses Shanghai Economic Life As Influenced by Politics, 1937-1940

ECONOMIC SHANGHAI: HOSTAGE TO POLITICS, 1937—1940, By Robert W. Barnett, Institute of Pacific Relations, New York, 1941. pp. 210.

Shanghai because of its extraordinary situation has remained a place of great economic importance during the four years of the China-Japan life-and-death struggle. Japanese financiers and businessmen, who are in no position to do any business in Japan because of the numerous governmental restrictions and currency control measures, have made large profits in Shanghai during the past four years. So is it also with British, American and Chinese financiers and businessmen.

However, the nature of Shanghai's economic importance has been greatly changed since the outbreak of the war in 1937. Instead of being a collecting center of Chinese native products for export to foreign countries, it has become the center for the Japanese to obtain raw materials at the expense of Chinese and foreign industrialists. Instead of being the financial center of the entire country of China, Shanghai has become the gambling ground of Chinese, Japanese and foreign capitalists, who brought to this city large sums of idle capital following the outbreak of the European war in 1939.

Economic Analysis

The book under review, which is one of the inquiry series of the Institute of Pacific Relations, has as its main purpose, in the words of the author: "The analysis of economic changes which have occurred at Shanghai during the period extending from July 1937 to January 1941." Throughout the book the author has taken account of political changes occurring in Shanghai, in the Far East, in Europe and in the United States and shown how these political changes have affected the economic situation of Shanghai. In the author's own words: "These political factors operated, on the one hand, to obstruct, or at least to re-cast, Shanghai's normal orientation both to the economic life of its hinterland and to centers of economic life overseas. On the other hand, they operated to maintain, in the foreign areas at Shanghai, unique conditions of freedom and asscessibility."

The book is divided into six chapters. The first chapter deals with the subject of "The Siege of Shanghai." In this chapter, the author tells in detail the political background of Shanghai, which is a product of China's political and economic relations with foreign powers and its economic relations with the hinterland. Because of the war the authorities of the International Settlement and the French Concession of Shanghai have felt more and more the Japanese pressure and as a result controversies of three types have always engaged the energies of the local authorities, including: first, controversy centered upon Japan's claim to a right to exercise, herself, jurisdiction in all Chinese Government agencies throughout Shanghai, including those within the foreign areas, and to expect the control of Chinese Nationalist activities within those areas; secondly, controversy centered upon Japan's infringement upon territorial and administrative rights which had accrued directly to the foreign areas through numerous arrangements concluded between the Treaty Powers and Chinese authorities; and thirdly, controversy centered upon issues which involved the underlying premises, implicit and expressed, which supported the perpetuation of extra-territoriality in Shanghai and the continuation of the actual preponderant Anglo-American influence within the entire local machinery administered by the Shanghai Municipal Council.

A study of this chapter will reveal clearly what a complicated situation Shanghai is facing regarding its own political administration and will help one to understand why the Consular Body tried to remedy the present situation by the organization of a provisional council, including three Japanese, one Swiss and four Chinese, two of whom are pro-Nanking and two of whom are pro-Chungking members. The most important sections of this chapter is probably the chronology of Japanese demands to the Shanghai Municipal Council, which shows vividly the attempt of the Japanese to expand step by step their influence in the International Settlement.

Shanghai's Labor Situation

Chapter two deals comprehensively with the labor situation in Shanghai. The most important aspects of the labor problem as a result of the war are the increasing cost of living and the increasing political influence of the labor unions. With the year 1936 as the base year (100), the annual indices of workers' cost of living at Shanghai in 1937 was 118.15, in 1938 was 152.90, in 1939 was 203.25, and in 1940 was 438.22. Not only the cost of living has been increased during the past four years, the actual wages of the laborers, despite the rise of earnings, declined from 100 in 1936 to 71.80 in 1937, to 60.42 in 1938, to 58.59 in 1939,

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and to 55.33 in 1940. Furthermore, the purchasing power of the Chinese dollar stood at $0.2646 in February, 1940 when compared with the Chinese dollar's purchasing power in 1936. In December, 1940, it dropped further to $0.1725. This situation has created much restlessness among the laborers and offered a fertile field for the political agitators of Wang Ching-wei's government at Nanking to expand their influence. In many of the strikes in 1940, among the many demands of the workers was that of the recognition by the employers of the new unions organized by the workers under the auspices of the Wang Ching-wei government.

Chapter three describes in detail the industrial condition in Shanghai from 1937 to 1940. Despite the loss of $800,000,000 by the Shanghai factories during the days of hostilities, more factories were established in this city after the withdrawal of the Chinese troops, especially in 1939 when large sums of idle capital were poured in and large orders of manufactured goods by South Sea islands as well as Free China were received. Difficulties of the industrialists in obtaining raw material, such as cocoons and in exporting their products, because of Japanese naval blockade of the China coast and the Japanese trade restrictions, brought a serious setback to Shanghai's industrial activities in 1940. The shortage of supply of coal has served as another serious blow to the local industrialists. The author also describes in detail the development of small industries in Shanghai and the growth of industries in the western district of Shanghai.

Chapter four deals with the currency and finance at Shanghai during the period under review. "Seeking to displace the Chinese dollar in North and Central China by their own notes," he writes, "the Japanese relied, to an appreciable degree, upon the Chinese dollar in Shanghai for foreign exchange cover. Therefore, a complete Japanese victory in her financial manipulations eliminating Chinese National currency from the developing yen bloc and from Shanghai would have had the effect of delivering a serious blow to Japan's economic plans by placing directly upon Japan the burden for providing foreign exchange. No doubt exists that the open exchange market at Shanghai served a useful function in financing Japanese interests at Shanghai, Japanese-sponsored political and economic institutions in occupied areas of China as a whole, and above all in giving indirect support to the Japanese military yen in Central China." The author succeeds in painting a clear picture of the abnormal financial situation, the various phases of the currency war between the Chinese Government and the Japanese military authorities and their puppets, the activities of the Hongkong Stabilization Fund, as well as the rise in value of the Japanese military yen in the Shanghai market.

Greater Importations

Chapter five gives in detail the changed situation of Shanghai's commerce and shipping. In this connection, the author emphasizes that as a direct result of the war, Shanghai is importing more cotton, rice and coal than before. Meanwhile, the city is exporting more textile goods, reflecting the good business of the cotton mills of Shanghai and exporting less and less of such important native products as oils, animal products, eggs, and bristles, partly because of the Chinese control of such native products and the export of them through the South China ports directly under the control of the Chinese Government. Because of the war, less and less goods have been imported from Germany and more and more have been imported from British India, Brazil, Indo-China and the United States, showing clearly the change of the positions of the leading trading countries in Shanghai's foreign trade. Details of Japanese trade restrictions are given in the chapter and it is interesting to note that the Japanese and their puppets are receiving bribes and collecting taxes of a great variety, including "safety maintenance fee," "merchandise inspecting fee," "construction tax," "education tax," "fee for 'executive' expenses," "anti-British tax," etc. The changing policies of the Japanese in regard to Shanghai's trade and the activities of the Japanese companies, such as the Central China Railway Company and the Shanghai Inland Water Shipping Company, decribed in full by the author, are of special interest to the readers.

In the last chapter, the author sums up its findings. "At the turn of the year 1940-41, facing each other across a narrow creek were two antagonists maintaining locally an uneasy truce. At any hour their truce might have been broken, for not they but invisible forces far distant held the key to their actions."

In reading this book, one cannot but have the feeling that in all the economic changes of Shanghai, resulting either directly or indirectly from political changes in Shanghai the Chinese was the loser. If Shanghai did not have its International Settlement and French Concession, Shanghai would have been occupied by the Japanese, like any other city along the coast. China would not have lost large sums of foreign exchange in an attempt to support the **fapi** in the open market of Shanghai, which Chinese currency control cannot reach. Indeed, the Chinese currency control measures probably would have been as effectively carried out as those in Japan and the value of the Chinese dollar might not have dropped from US$29.25 for C$100 in March, 1938 to US$5.34375 for C$100 on May 9, 1941. If Shanghai did not have its International Settlement and French Concession, no idle capital would have flown into Shanghai for speculation on the local stock exchange and commodity markets, These speculative activities have only increased the cost of living of the poor and intensified the sufferings of the laborers. To maintain Shanghai as an international city has not helped China in her campaign of resistance. Free China has drawn no supply from Shanghai. Instead, Shanghai has detained large sums of Chinese capital from being remitted to the interior, where it could be profitably used to finance the various projects of economic reconstruction.

Shanghai's Future

The author suggests in conclusion that Shanghai's future may take one of the following three forms: It "may fall within the absolute control of a Japan, which has become dominant in East Asia and has put in motion economic plans to rationalize the human and material resources of this area to serve, exclusively, the requirements of the ruling forces in Japan." It may "retain, in the main, its character of being an international city, actually and juridically, in which the Anglo-American pattern of economic capitalism and obligarchical political liberalism retains or re-assumes its foothold, thus remaining the inner nucleus of the entire city." It "may be restored under the full sovereign authority of a victorious Chinese Government, which may avail itself fully of the advantageous geographical location of the city and, through good government, may confer upon it the stability which would flow from its complete integration, politically and economically, into the life of the rich and resourceful country of which it is, in every sense,, a vital part." Undoubtedly, it is the third possibility that sound thinkers are looking for. Anyone who knows how the authorities of the International Settlement in 1938 and 1939 wanted to relinquish their responsibility because of the difficult position brought about by Japanese pressure will agree that Shanghai cannot retain its character as an international city. If Japan wins the war, Shanghai will become a Japanese port and all Chinese and third-power interests will be excluded. If China wins the war, Shanghai will become a 100 per cent Chinese city, in which both Chinese and westerners may live and trade under the principles of equality and reciprocity.

Mr. Barnett has done an excellent job in writing this book. He has not only recorded the fundamental changes in the economic life of Shanghai and the political affects of these changes, but he has also discussed what political form Shanghai will assume in order to make this city a safe place for commercial and industrial development.

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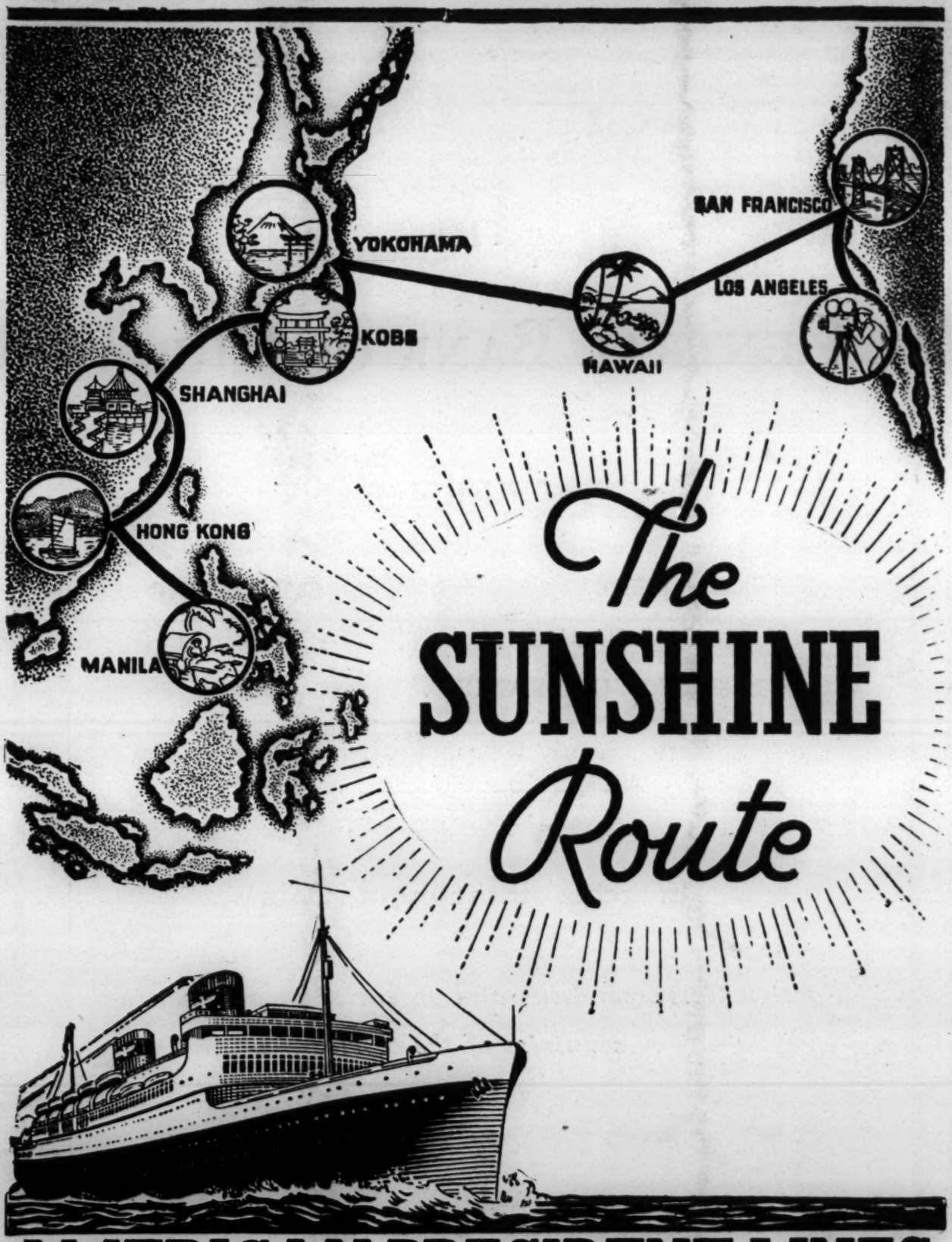

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